

Middlesex County to build new health facility in Old Bridge

BY GENE RACZ • STAFF WRITER • MAY 24, 2009

The Board of Chosen Freeholders has approved a \$41.16 million bond ordinance to finance a new 180-bed, long-term care facility in Old Bridge.

Construction on the 105,000-square-foot facility near the intersection of Texas and Marlboro roads will begin in July and is expected to take 18 months to complete. The building will be somewhat comparable to the 180-bed Roosevelt Care Center the county unveiled in 2005 in Edison across from the historic Roosevelt Hospital.

The price tag of that state-of-the-art facility was \$21.5 million.

Escalating prices in materials and labor as well as differences in design and construction challenges are among the main reasons for the price differential between the two facilities. The county has entered into an agreement to build the new long-term care center with the New Brunswick Development Corporation, or DevCo, which has provided the county with a guaranteed maximum price for construction cost, also \$41.16 million.

"It's a guaranteed contract, so any cost overruns we will not eat, we have protections," said Middlesex County County Administrator John Pulomena.

By using DevCo as a redeveloper for the project, the county eliminates the need for it to provide a down payment that normally would have been required to be included in the county's 2009 operating budget. The county can now wait as long as 18 months after the project has been completed to begin paying for it — which translates into additional time to shop for the most favorable rate in the bond market.

DevCo, a nonprofit development company, is responsible for much of the redevelopment of downtown New Brunswick. The county has entered into similar arrangements with DevCo to build the county courthouse and the County Administration Building.

Christopher J. Paladino, President of DevCo, says his corporation regularly works with a group of contractors and that they "try to match up people who have the type of experience and personnel we think works" for each individual project.

For the new long-term care center, DevCo chose Joseph Jingoli & Son, Inc. as its construction manager. Jingoli had recently partnered with DevCo to finish the Children's Specialized Hospital, an affiliate member of the Robert Wood Johnson Health System. Jingoli also partnered with DevCo to build the Child Health Institute of New Jersey at Robert Wood Johnson University Hospital.

"We felt comfortable with their expertise in doing health care," said Paladino.

The way the deal for the new, long-term care center is structured is that the county pays DevCo a \$1.3 million fee to oversee the project. Devco then negotiates a fee with Jingoli to

act as the general contractor. Jingoli bids out all the subcontracts which Devco then reviews.

"We review all the bids, we take the lowest bidder, it's an open book process," said Paladino. "Jingoli, they not only work for a fee, but they take the risk of delivering it for a price. so, they stand behind the guaranteed minimum price. We're able to pass along the gmp benefits to the county because the contractor is taking the risk."

Should Jingoli finish the project under estimated cost, 75 percent of the savings on "hard" construction costs (materials and labor) would go back to the county while Jingoli would keep 25 percent.

Paladino said the differences in price between the two long-term care facilities can be chalked up to a number of factors. They include:

- A conservative estimate of 5-percent increases, compounded annually, for trade costs (materials and labor) since 2001 and 2009.
- A 12.5 percent minimum increase in cost for using all union labor to build the new facility.
- The addition of a \$200,000 Alzheimer's wing which was not built into the county's other long-term care facility in Edison.
- A \$400,000 difference to grade and level the construction site in Old Bridge.
- A \$400,000 difference to bring in water and sewer services from the road.
- An additional \$750,000 to install technologies designed to save money over time through greater environmental and energy efficiencies.

The new long-term care facility will have an energy-efficiency certification in the Green Building Rating System known as LEED (Leadership in Energy and Environmental Design). The building's design will feature the latest technology for increased energy efficiency.

The county is looking to reduce its 2009 \$7.68 million subsidy of its long-term care facilities in Edison which are being operated by the Middlesex County Improvement Authority (MCIA). There are currently 260 patients in the old historic building at Roosevelt hospital, and a transition plan would be developed to move some, but not necessarily all of them, to the new facility in Old Bridge when it opens.

Pulomena said the hope is that operational costs (staffing and utilities) in the new Old Bridge facility would drop significantly and offset any potential increase in the county's subsidy of its long-term care facilities. Pulomena added that the freeholders are exploring ways to take the old historic building and utilize it for other medical-related purposes to serve its aging population — possibly an assisted living facility.

The construction of the new facility in Old Bridge will include an effort by the county and DevCo to farm out as many subcontracts where appropriate to small, local businesses — especially those run by minorities and women.

Freeholder Ronald G. Rios estimated that the project will create approximately 240 jobs for the construction trade unions, and, once completed, will create about 200 permanent health care jobs.

"Those are real jobs right here in Middlesex County at a time when employment figures are weakening nationwide," Rios said.