



THE PLAIN DEALER

MEDICAL MART COMPETITION

Cleveland's Medical Mart threatened by New York project

Sunday, November 09, 2008

Jim Nichols and Joe Guillen

Plain Dealer Reporters

A major threat to Cleveland's proposed Medical Mart is growing in New York, where developers say they are ready to start building a \$1 billion World Product Centre.

Some advocates of the Cleveland-based project, including Cleveland Clinic Chief Executive Toby Cosgrove, say there's no room for both. This region, they worry, may be beaten out on what they see as its most promising economic-revival engine.

"This is one of those things where only one of the facilities can exist," said Baiju Shah, director of BioEnterprise, a University Circle incubator for health care businesses. "You want this to happen here, to boost Cleveland's image as a leader in medical technology and a good place to do business in that field."

The New York proposal's growth, Cosgrove said, should be "an impetus to get up and get going."

The World Product Centre's backers insist they already are. The project's partners include the Greater New York Hospital Association and Extell Development Co., a major residential real estate development company.

Last month, they revealed architects' renderings for a stunning Manhattan skyscraper. World-renowned Kohn Pederson Fox Architects designed the 60-story high-rise that would combine exhibit space, offices and "incubator" support for buyers and sellers of medical-industry needs. It would surpass, by 30 feet, Cleveland's 947-foot Key Tower as the nation's 17th-tallest skyscraper.

"We're very far along," said Lee Perlman, president of project co-developer GNYHA Ventures. "We have a site. We have building plans. We're lining up funding."

"It's ready to rock 'n' roll."

But it has one huge hitch that gives its stuck-in-muck Cleveland competition an edge: financing.

The proposal here has public funding accumulating at a rate of \$115,000 per day, \$42 million a year for 20 years that also would produce a convention center. World Product Centre is searching for private financing amid economic turmoil of historic proportions.

Fred Nance chairs the business-promoting Greater Cleveland Partnership and is project coordinator of the Medical Mart/convention center plan, a joint effort with Chicago-based Merchandise Mart Properties Inc.

Nance said that without secure financing, the New York competitor is "a twinkle in someone's eye."

The World Product Centre's developers disagree. Late last month, they announced the facility will open late in 2013, a year behind schedule. They have hired a renowned medical-industry insider to line up tenants to raise \$1 billion or more. The means: 10-year lease commitments.

"We need to get a critical mass of tenants to make the project a go," Perlman said Friday.

John Strong came from one of the country's largest hospital-supplies purchasing cooperatives to sell the World Product Centre to investor-tenants.

"I've had a very successful career," said the 35-year veteran from suburban Chicago, "and I wouldn't have left my employer if I didn't think this had a smashing chance at success."

The Cleveland proposal has its own hang-up: Site selection. That snag, now nearly three years old, could squander Cleveland's fortunes, said Cosgrove, who conceived the Medical Mart concept in 2006.

"I'd like to have seen that done yesterday," he said.

Cuyahoga County commissioners eventually will pick the site for the mart and convention center. They had expected to make a decision by now but are no closer than they were in August. That's when the Greater Cleveland Partnership recommended it be built for \$536 million at Tower City Center. The partnership deemed building at Tower City less costly than building the project on the existing convention center site along Lakeside Avenue.

Commissioners now say they want to vote on a site in January. They will take their cue from Merchandise Mart Properties, county Administrator James McCafferty said.

But MMPI, which will own and operate the mart and convention center, is making its own location analysis.

MMPI wants a complex that can be built without funding beyond the county's sales tax revenue. That would cap construction cost at about \$450 million.

Commissioners OK'd a quarter-cent sales tax increase in July 2007 to pay for the mart and convention center. MMPI is to pay for cost overruns

The company and its consultants have reduced costs at both places to about \$400 million, said Mark Falanga, senior vice president.

"We think that both [Cleveland] sites are viable," he said.

Others are getting antsy about the delay.

Forest City Enterprises Inc., which owns Tower City and seemed positioned to land the complex after the partnership's summertime recommendation, has noticed little progress in recent months.

"It has not been terribly active, I know that for certain," Forest City spokesman Jeffrey Linton said.

The county will have to buy land to build the Medical Mart/convention center at either site. MMPI will negotiate with sellers. Linton said there haven't been any talks.

Meanwhile, word has spread about the global bazaar planned for New York.

"In the back of everybody's mind is whether it's a competitive threat to Medical Mart," Linton said.

Nance, managing partner at the global law firm Squire Sanders & Dempsey, insists it is not.

"It is an interesting idea, but I - we - still think it is very much the subject of hopes and dreams and not a lot of economic reality," he said. "We should be mindful that we cannot dawdle and make this a reality. . . . But we do not see this particular proposal in New York to be much of a threat."

Nance said much the same thing about the need for speed in August 2007, when news of the New York project was first reported.

The two projects differ dramatically in scale and in other marked ways. But they share an underlying purpose: to create one place where makers of a wide array of health care-related products and technology can showcase offerings to buyers from the fast-growing industry.

Both developers envision a place where competing suppliers can show wares ranging from rubber gloves, carpeting and desks to cutting-edge drugs, surgical-implant gadgets and multimillion-dollar radiology-imaging machines.

"Anybody who's building a hospital now has to go all over the world to do it," said the Clinic's Cosgrove. "I've been everywhere from Minnesota to Germany. It's a hassle."

Many of Greater Cleveland's top movers and shakers - old-school leaders and emerging entrepreneurs in the dynamic med-tech field - tout the Medical Mart as a spectacular opportunity to revive the region's sagging economy.

BioEnterprise's Shah said the Medical Mart could draw hundreds of thousands of visitors to health care trade shows. But more importantly, it could lure high-tech firms from all over the globe to Cleveland "to establish a beachhead for North American operations," he said.

To reach these Plain Dealer reporters:

jguillen@plaind.com, 216-999-4675

jnichols@plaind.com, 216-999-4578

©2008

© 2008 cleveland.com All Rights Reserved.