



PHOTOS BY DAN TRITTSCHUH

It's unclear what will happen to health-related businesses around Grady Memorial Hospital in Delaware if the hospital goes through with a planned move.

If you build it, they will come. That's the conventional thinking when it comes to health-related businesses putting down roots near hospitals. You don't need an MBA to know it makes sense to locate a doctor's office just down the road from the facility where the doc regularly performs surgery or refers patients too sick to be treated as outpatients. And if you're searching for Central Ohio sites for drugstores, the steady streams of patients leaving hospital emergency rooms and outpatient clinics with new prescriptions in hand provide a pretty good clue that nearby pharmacies might do well financially.

It's not coincidence that much of the land around Riverside Methodist Hospital in north Columbus has been filled with medical offices. Or that a new medical office building recently opened in downtown Columbus, linked to adjacent Grant Medical Center by a pedestrian skybridge. Or that the New Albany Company has reserved much of the land surrounding the New Albany Surgical Hospital—now under construction as the anchor tenant at one of New Albany's four business campuses—for health-oriented enterprises. Build it, and they come.

The calculations aren't always simple, of course. Yes, it's true that when a hospital goes up, much of the commercial land around it is likely to become health-care focused. But it's possible for land prices to escalate beyond the ability of, say, office developers to get a fair return on their investment. And sometimes there are questions about who is running the show. Is commercial development near a hospital controlled by in-

Health Villages

Doctors' offices sprout like mushrooms near hospitals, creating high-intensity commercial real estate markets with their own economics.

By Barbara Wayman



Growth in an area's medical services sometimes means growth in the hospitals themselves. Mount Carmel East is constructing a new heart hospital that will be open in 2003.

dependent developers, by groups of doctors or other health service providers or by the hospitals themselves?

Here's a look at the dynamics that drive—and in some cases severely limit—commercial development near Central Ohio's major medical facilities.

Tight Squeeze?

A cat of the author's acquaintance, name of Ernie, is nicknamed "Velcro Cat" because he likes to snuggle up against his owners as they sleep, just as tightly as he can. One might expect to see a similar phenomenon around Columbus's major medical centers—lots of "Velcro" medical offices clustered tightly around the health-care institutions that employ the docs and supply the customers. And sometimes that's the case; but not always. Some hospital campuses are already so tightly packed that not even Ernie could find a place to plunk himself down.

Take Columbus Children's Hospital, for example. Founded in 1892, on what was then the southeastern edge of developed Columbus, Central Ohio's pre-eminent pediatric institution now finds itself in the heart of the city. Over the decades, Children's has expanded to use practically every inch of its 38-acre campus, and there's precious little room for future growth. "North of us is I-70, south is a community park and east is a neighborhood that is not zoned commercial," says Patricia McClimon, the hospital's vice

president for planning and development.

Sprawling out is not an easy option. When Children's bought a few houses east of the hospital campus recently, the action triggered a neighborhood flap that ended with the hospital razing some homes and reselling two others for a dollar each; the new owners relocated the homes. Despite being mostly landlocked, Children's has managed to build an outpatient care center, an education building and a research institute on site, and that's just for starters. McClimon says there are some 15 buildings on the grounds.

The demand for space is expected to continue. McClimon says Children's has seen 10 percent growth for each of the last three years in its inpatient business and 13 percent annual increases in outpatient business. "We are much better than we used to be at treating kids, but they have to come in more," she says. "For example, in the past, leukemia had a 50 percent survival rate. Now, standard leukemia has a 95 percent survival rate, but they have to come in to get chemo."

Whenever a nearby property becomes available, Children's is likely to be there, checkbook in hand. The hospital has snapped up neighboring parcels such as the former Long John Silver's restaurant on Parsons Avenue, which is now the site of an orthopedic center jointly owned by the hospital and individual surgeons. Children's also has leapfrogged Interstate 70 to lease land for parking lots to handle the

overflow that's been created as new buildings have filled land previously dedicated to parking on the hospital campus itself. Bottom line: When the hospital itself is a voracious land buyer and developer, there's not a lot of opportunity for independent medical real estate development nearby; there simply isn't room.

McClimon says Children's is in negotiation to purchase the parcel of land currently used by Easter Seals on Children's Drive West. Easter Seals is an independent, nonprofit organization not affiliated with the hospital.

If Children's can't build out, it can still build up. "As soon as we put up the next parking garage we can build a building on our current parking lot in the center of the campus," McClimon says. "We also have plans to build a building between the front of the hospital and Easter Seals. And two of our towers could go up an additional four to six floors."

Campus Congestion

A quick drive around the medical campus at Ohio State University reveals much the same picture of high-density development. "Coming soon—1,000 new parking spaces," promises a sign at a construction site, though it's hard to see where the parking spaces will fit among buildings already crowded together.

As at Children's, buildings at the OSU Medical Center have been clustered as tightly together as possible along the con-



New Albany Village Administrator Joseph Stefanov says he's interested in seeing medically related development around the still-under-construction New Albany Surgical Hospital.

gested streets; Ernie the Velcro Cat would feel right at home. "On two sides of our medical campus are academic buildings and university facilities," says Eric Kunz, executive director of corporate support services for the OSU Health System. "On the north and east side is the Ohio State University campus. On the south side it's community housing. To the west is the Olentangy River and commercial real estate. So there are no immediate areas for developing a medical campus."

The state of Ohio owns the land the

OSU medical campus sits on, according to Kunz, while the hospital owns most of the buildings. OSU has long-term plans for taking some medical services off the main campus. Already, the OSU Medical Center leases space on Olentangy River Road to Lifeline of Ohio, the organ transplant service. Next door is a tall orange brick building owned by the Ohio Bureau of Workers' Compensation. "We have a lease-purchase option on the entire facility," Kunz says. "That's primarily where we would grow our clinical operations."

Nearby is the Camera Center, a former state physical rehabilitation center off Kenny Road, part of which is leased by the OSU health system. Presently, the Camera Center is being used as a clinical office and wellness center, Kunz says. Possible future uses include radiology and an ambulatory center.

Staying Close

Development around the campus of Riverside Methodist Hospital, part of the Ohio Health System along with Grant and Doc-

tors hospitals, has been much more extensive, in part because land near Riverside is much less constricted than the neighborhoods surrounding Children's and OSU. Along Olentangy River Road, within a couple of minutes from Riverside by car, are numerous medical buildings offering dentistry, mammography, offices of various medical specialty groups and other health services.

Mark Hopkins, media relations manager for OhioHealth, says such clustering is simply a matter of logic and convenience. "If a surgeon has to be in the OR during the day, he doesn't want [his office] to be three or four miles away," Hopkins says. "It's really just convenient to be nearby."

Although many of the physicians who maintain offices close to Riverside practice at the 1,100-bed hospital, most peripheral facilities aren't financially linked to OhioHealth. County tax records indicate that medical office space along Olentangy River Road is owned by a variety of individuals and limited liability corporations.

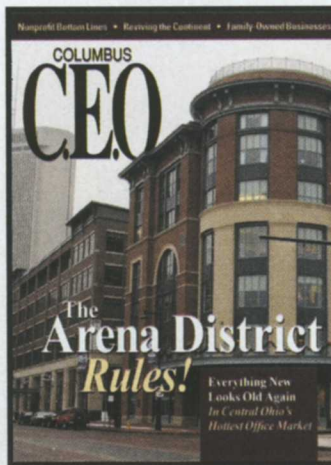
OhioHealth itself is a substantial commercial landlord; for example, Hopkins says the corporation owns the large office building at 500 Thomas Lane, next door to Riverside. One of OhioHealth's Thomas Lane tenants is Riverside Nephrology Associates, which focuses on kidney diseases. Donna Dodge, practice manager for Riverside Nephrology, says the practice has been located near the hospital on Thomas Lane for 14 years. The location makes sense, Dodge says, because the majority of the practice's patient referrals come through Riverside.

On Riverside's 50-acre main campus are several separate health-care facilities, all controlled by OhioHealth, including the McConnell Heart Health Center, the Elizabeth Blackwell Center for women's health services, a freestanding hospice called Kobacker House and the Gerlach Center for Senior Health at Whetstone.

Despite its sizable campus, Riverside also has faced growing pains. "It's hard to find space as hospitals grow," Hopkins says. "Departments start getting split up, and it grows in the wrong way. We needed to find a way to bring all the pieces and parts back together."

Riverside's desire to consolidate services was one of several factors leading to construction of a new \$47 million heart hospital that will be attached to the main hospital building. The new facility is scheduled to open early in 2004—the same year in which OSU expects to open the Richard M. Ross Heart Hospital.

Cardiac care, it seems, is becoming increasingly popular and lucrative as things begin to go wrong with baby boomers'



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tickers. At Riverside, there will be 14 heart catheterization suites, 85 pre- and post-procedural patient care spaces and three half-floors of physicians' offices. There'll also be a new emergency room capable of serving 25 percent more patients than the present Riverside ER.

All OhioHealth hospitals lease internal space to physicians, according to Ed Cotter, vice president of facilities for Central Ohio. Historically, the corporation has developed office properties closest to the hospitals on its own, but that's changing. In May, Grant Medical Center ventured into new territory by opening the William W. Wilkins Professional Building on East State Street, which is owned by its developer, the Daimler Group. Several hospital departments have moved into the building, which provides 110,000 square feet of surgical and physicians' offices and is connected to the hospital by a bridge.

Allowing Daimler to own the building "stems from simple economics, really," says Cotter. "We need our revenue for a lot of other things, so when you can get someone else to use *their* money to [build a facility], we can use *our* income for things that go back into the hospital, like patient care and upgrades."

With some hospital staffers already moved to the Wilkins building, Grant executives would like to demolish the 16-story Baldwin Tower (the hospital's most visible Downtown landmark) and replace it with a four-story surgical building. Hopkins says OhioHealth's board is expected to vote on that plan in June.

Moving Out?

What if you built a medical office building down the street from a hospital, only to learn a couple of years later that the hospital was thinking about packing up and moving? That's the dilemma that may face the pharmacies, doctors, dentists and chiropractors in the immediate vicinity of Grady Memorial Hospital in Delaware.

Grady created a stir recently by announcing plans to purchase 101 acres in southern Delaware county for possible relocation from the hospital's current 26-acre site on Delaware's West Side. The new land would put Grady in the heart of Delaware County's most rapidly growing residential areas—not to mention greatly expanding the acreage available for future expansion. Some medical professionals working in offices near the present hospital have voiced concerns about what Grady's possible move might mean for their bottom lines; others are untroubled.

"I don't know what would happen to the current hospital," says Richard Carter, owner of Carter Chiropractic Clinic. If

Grady in Delaware remains open as an urgent care facility, Carter figures he might still get some referrals. In any event, he expects to stay where he's been since 1984. "I don't think there would be a great incentive for me to move," Carter says. "As a chiropractor, I'm really not hospital-dependent."

If a Grady move drained one health village, it would surely spawn another. "What we know now is that the hospital is working with the physicians and that they're planning on constructing medical office buildings at the new site and some may move," says Alicia Sprau, administrator for an obstetrics and gynecology practice and a family practice that are currently in office space attached to Grady's main building. Whether those practices would decide to move along with the hospital remains to be seen. "We see patients from all

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areas of the county," Sprau says. "I think it's too early for us to commit."

Moving In

The New Albany Surgical Hospital on Smiths Mill Road won't open for orthopedic patients until the fall, but New Albany village officials and New Albany Company executives do expect medical services to move into the business campus acreage surrounding the new facility. That's been the plan all along.

"I certainly would be interested in see-



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ing an expansion of the medical facilities, whether it be for medical office space, out-patient-type facilities or ancillary-type services such as laboratories," says Joseph Stefanov, village administrator. "Those physicians that choose to practice [at New Albany Surgical] could find it convenient to have office space nearby."

Stefanov says most of New Albany's current medical services are located in the village center. "It's diverse. OSU has a medical/dental-type office here. We have orthodontists. We have vision care. We have chiropractic, and CVS built a pharmacy in the village center in 2001." The new hospital will be about five minutes away from these existing medical providers.

As for additional medical providers that may be attracted to digs around the new hospital, Stefanov says the village is taking a "wait-and-see" approach. "It will depend on the market," he says. "This is the first venture of its kind in New Albany. We'll let the market function, and if there's a demand, the village will be happy to work with developers and prospective clients to help them in their decision to locate here."

The New Albany Surgical Hospital land is owned by the group of surgeons who are founding the hospital along with the Surgical Alliance, a for-profit corporation based in Tennessee. "We will actually manage the real estate and operations of the hospital," says Surgical Alliance spokesman Eddie Alexander.

Bill Ebbing, president of the New Albany Company says NACO's four business campuses have been developed "to bring in several different types of businesses, predominantly Fortune 500 companies. As we continue to develop, we will focus on businesses which would include medical offices."

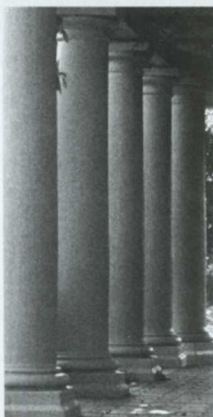
Down the Road

A number of trends are shaping the future development of health-related commercial real estate, both for hospitals and independent health-care providers, beginning with an aging and expanding population. According to the Riverside Hospital website, three people in Central Ohio will turn 50 every hour from now until the year 2014, and the number of Columbus residents age 55 and over will grow by 18 percent between 2001 and 2006. Those numbers mean the health-care industry can expect increasing demand for services, especially those services aimed at an aging population. Already, local hospitals are expanding and adding services to meet that demand.

The most popular growth area—likely because it's highly profitable—is cardiac care. In addition to the new heart hospitals at Riverside and OSU, Mount Carmel East

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is constructing a new heart hospital that's scheduled to open by the end of 2003. Mount Carmel St. Ann's recently has expanded its emergency and critical care units and will open a new maternity pavilion soon. And of course there's New Albany Surgical, whose docs hope to grab their share of hip and knee replacements for creaky-boned boomers.

The growth spurt also is taking place in hospitals outside the city. Berger Health System in Circleville plans to open a second hospital to serve northern Pickaway County. Licking Memorial Hospital has purchased 24 acres in Pataskala for a possible expansion. And Mount Carmel was planning to open a 50-bed hospital in northern Fairfield County but was stymied



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by a judge who ruled that the proposed facility would illegally compete with a nearby outpatient surgery center.

Some expansion is occurring far from the main campuses, as hospitals branch into the suburbs to offer urgent care and other services. Children's, for example, has opened nine Close To Home pediatric health-care centers and will soon have four urgent-care centers around the city. "It's a two-fold strategy," McClimon says. "One is enhanced customer service, as we service a lot of people from those suburban areas. Secondly, we were running out of space Downtown."

"We have family practice sites scattered through the community," says OSU Medical Center's Kunz. "We've had that presence for a long time, and depending on market conditions and business opportunities, we'll continue to do so." ♦

Barbara Wayman is a freelance writer who lives in Dublin.

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