IS LAKE NONA THE FUTURE OF CITIES – OR A UNIQUE CREATION THAT CAN’T BE REPLICATED?

By Jennifer Reingold
How to Build a Great American City

Is Lake Nona’s medical and residential development the future of cities—or a unique creation that can’t be replicated?

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As our helicopter banks sharply over Orlando, the sinuous shapes and bright colors of Disney World, Epcot Center, and Universal Studios rise up to meet our gaze. This is the land of the theme park, the most visited city in the U.S., and the ultimate family vacation spot. But if you look away from the Technicolor fantasy toward the southeast, there’s something...
almost as striking: a collection of gleaming new commercial and residential buildings spread across 7,000 acres of land adjacent to the airport.

Ten years ago it was barren. Today it hosts a completely different Orlando, one that may ultimately transform the region as much as Disney World did back in the 1970s. Already the almost $3 billion (so far) endeavor has created nearly 5,000 permanent, higher-paying jobs, with 25,000 more expected by 2029. Arduin Laffer & Moore Econometrics has estimated that the project’s economic impact could reach $7.6 billion over the next 10 years.

The area is known as Lake Nona, and in the past decade the Tavistock Group, a global conglomerate, has created a thriving mini-metropolis there. It’s best known for the “Medical City,” which includes the University of Central Florida’s new med school, the renowned Sanford-Burnham institute (where research is conducted on obesity, diabetes, and cardiovascular disease), a soon-to-open $1 billion Veterans Affairs Hospital, the Nemours Children’s Hospital, the VA facility, the cadaver lab at UCF medical school, and houses in Laureate Park.

Surrounding the site are residential neighborhoods designed as pedestrian-friendly villages, with shops and key facilities soon to be within walking distance. Lake Nona features state-of-the-art technology, an elite golf course, and, soon, 44 miles of bike and walking trails. It’s also both homey and pleasing – a realization that is almost shocking for an urban snob like me, who previously viewed Orlando as drab sprawl to be endured out of devotion to one’s children and their need to make a pilgrimage to Disney World.

many cities have attempted to establish “clusters” such as Medical City to spur their economies. Few have succeeded. And till now none has combined a cluster with a residential development with this ambitious mix of appeal and livability. It is in large part the vision of one man–British currency trader Joe Lewis, who owns Tavistock, which controls such wildly diverse businesses as the Tottenham Hotspurs soccer team, the Mitchells & Butlers pub company, and an Argen-
tine energy group. Fortune interviewed Lewis, who rarely speaks to the press, about then-Florida governor Jeb Bush and the team of politicians and businessmen who played crucial roles in conceiving the project and keeping it supported even as the financial crisis flattened the economy.

At 78, Lewis is a billionaire, but his enchantment with the Lake Nona project makes him sound like a man a fraction of his age. He describes it as “a special investment, beyond financial returns.” Predicting that it will improve a region as much as the land to Med City the the pound alongside George Soros, he spent $21.6 million to purchase Isleworth, a residential golf club that had fallen into the pound alongside George Soros, he spent $21.6 million to purchase Isleworth, a residential golf club that had fallen into interests. In 2002, Bush found himself in the unusual posi-
tion of having a large surplus, in part from the stimulus funds guaranteed by the federal government to states after 9/11. Most states used the cash for Medicaid expansion. Bush sought something more lasting. He went to Lewis. “I would like to improve the economy of Central Florida,” the governor said. “We need better-paying jobs. Do you have any ideas?”

Lewis thought about some biotech investments he held in San Diego, which he had made in part because of the research cluster that existed there and the talent it attracted. Why couldn’t the same be done in Florida? Bush visited Southern California and came back enthusiastic. The begin-
nings of a plan took shape: They would create a medical cluster, using Lewis’s land to build a residential community emphasizing health, education, and sustainability. Today such an idea seems trendy; a decade ago it was fresh thinking. For Bush it was a bet that could pay ongoing dividends for the state (not to mention his career) if it succeeded. For Lewis it would require a lot of upfront investment, with no guarantee of a profit. But the value of his land could grow dramatically if jobs came to this part of Orlando. He also saw an opportunity to inspire other cities. “Jeb convinced me that if we take the lead, Medical City will be a source of pride, not just a sense that the land would one day be worth a lot more. The impetus for a bigger idea would come from an unlikely source: Jeb Bush, then Florida’s governor and an acquaintance of Lewis’s. In 2002, Bush found himself in the unusual posi-
tion of having a large surplus, in part from the stimulus funds granted by the federal government to states after 9/11. Most states used the cash for Medicaid expansion. Bush sought
Lake Nona owes much to the initiative of then-governor Jeb Bush (above), who offered state funds to collaborate with Joe Lewis (top).

Lake Nona weds the project. Instead, Lewis called his team together and calmly informed them that Lake Nona would remain on track. That was possible because Tavistock was financing its share with cash. Says UCF’s president, John Hitt, “I sent a note saying, ‘I just wanted you to know that we are thinking of you.’ He sent back a note saying that that was a personal loss, and that it has no bearing on our development.” And so construction moved ahead, with only minimal delays.

Meanwhile, Tavistock employed an unusually collaborative approach to planning. Thakkar realized that it was not enough for the various medical groups to coexist. The Lake Nona project would benefit if they worked together on common issues, something that has bedeviled many public/private partnerships in the past. In 2008, Thakkar hired Thad Seymour, a former academic and Express Scripts executive, who created five councils—IT, leadership, operations, communications, and education—on which executives of both the UCF medical school and Nemours Children’s Hospital. A separate Lake Nona institute come in as “strategic alliance partners,” providing custom-designed LED street lighting, wiring buildings for smart energy use (most of the commercial buildings will be LEED certified), and other features. A separate Lake Nona institute is charged with designing health and wellness initiatives for veterans). Says Orlando Mayor Buddy Dyer: “We had been trying to get a VA hospital for 20 years.” In March 2008, Nemours, a Delaware-based health care system, decided to build a pediatric hospital, which opened in 2012. The University of Florida also opened a satellite in 2012, which was quite unusual given that its hometown of Gainesville was just 90 minutes away.

The project was so harmonious that it felt like a fairy tale. Then came the financial crisis. Tourism collapsed. The construction sector, a secondary source of jobs in the area, skidded to a halt. It became clear that the economic diversification offered by Lake Nona was critical to Orlando. But how could such a massive project continue when the country was teetering on the brink?

Lewis himself looked as if he might be teetering. He had made a daring bet on Bear Stearns, buying a 7% stake in 2007 at around $89 a share. By the following March, after the stock had collapsed and it was swept up by J.P. Morgan Chase, Lewis, who had continued to buy Bear shares, found himself nearly $1 billion in the hole—a massive loss, representing 40% of a net worth then reported to be $2.5 billion. It would have surprised no one had he halted or delayed the project. Instead, Lewis called his team together and
residents, whose effectiveness Johnson & Johnson will then monitor in a long-term longitudinal health study.

Most of the homes now boast a wireless speed of one gigabyte per second (more than 200 times faster than the American average). In 2012, Cisco named Lake Nona one of nine “smart + connected” cities and the only one in the U.S. Wim Elfrink, Cisco’s executive vice president for industry solutions, says the company was attracted to Tavistock’s desire to create a new type of community living. “How do you attract young people?” he says. “It’s not just competition economically and socially. More and more it’s going to be competition environmentally.”

That can be costly. One example of such decision-making is the fact that the original plan, given the amount of land available, was to have multiple large parking lots. But Lewis didn’t want the development covered in asphalt and filled with parked cars. He insisted on building one central multistory parking facility, at a much higher cost. That helped make Lake Nona pedestrian-friendly, an aspect of the project that has become increasingly important to Lewis, and it avoided wasting space that the development might need in the future.

So far, 3,000 houses have been built, and a total of 11,000 are planned by 2026. Some 30% of the residents work in the Medical City or at the airport; the fact that 70% do not suggests that Lake Nona has broad appeal. The sales rate is the best in the Orlando metro area, says Anthony Crocco, regional director at Metrostudy, a real estate research firm.

For all the progress, Lake Nona is still in what Tavistock calls its initial investment phase. Phase 2 will incorporate two new hotels, two new office buildings, construction of a headquarters for the U.S. Tennis Association, an innovation center to incubate startups, and an apartment complex, not to mention a 1-million-square-foot retail space and a town center offering retail, restaurants, and entertainment.

Could Tavistock be overreaching? Certainly. So far the government investment has been more than $2 billion. Tavistock won’t disclose its own outlay, but it’s safe to say that it has been hundreds of millions of dollars. Lewis says he’s not yet convinced that he will get the hoped-for return on his investment. Still, he says he’s wildly proud of the project, and Orlando’s leaders are grateful he came along. Indeed, Lake Nona is a centerpiece of the region’s new marketing campaign, “Orlando: You don’t know the half of it.”

Can what has happened in Lake Nona be replicated elsewhere? Could Detroit, for example, recast itself as a biotech center? Certainly Orlando is not the only area to try to create a cluster. Although Lake Nona was early with the concept, the idea of using education and medical progress to lure professionals is so popular these days that it has its own moniker, “Eds and Meds.” But when it comes to the sheer scope, it is hard to think of an area, with the exception of Dubai, that has been as holistic in its planning as Lake Nona, says Cisco’s Elfrink.

There are other requirements, none of which are easy. The business climate must be welcoming, politicians must be willing to look far beyond their own reelection, and there have to be other compelling reasons for a company or school to move. “There have to be some ingredients beyond ‘build it and they will come,’” says former governor Bush, who says that using expensive bond issues to lure corporations and universities puts too much financial pressure on the regions. “It’s better to create world-class facilities and let them figure out how to do research.” It helps, too, to have a benefactor as committed, and financially secure as Lewis. He may never fully cash in on his investment. But the people who live and work in Lake Nona are already reaping the rewards of it.