



How to build a great American city

by Jennifer Reingold @FortuneMagazine JUNE 12, 2014, 7:19 AM EDT



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

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 its "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, and offshoots of the MD Anderson Cancer Center and the University of Florida.

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-level 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.



Extensive walking paths on Lake Nona grounds.

Photograph by Rebecca Greenfield for Fortune

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 Argentine 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 kept supporting it 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 where many of his family, friends, and colleagues live, he gushes that "it holds the promise to truly change the world with advancements which might spark from there."

How's that for excitement? Still, the efforts at Lake Nona show that it's possible—though it certainly ain't easy—to revitalize and change the essence of a city. All it takes is vision, an ability to abandon the short-term mentality that plagues both business and politics, a proclivity for collaboration, and, above all, patience. A few billion

dollars doesn't hurt either.

In 1987, Rasesh Thakkar, then 26, began a new job, unsure of what his new boss, Joe Lewis, expected of him. Months earlier Thakkar had been an IRS auditor, his goal to one day be a partner at a big accounting firm. But a chance friendship on the soccer pitch with Lewis's son Charlie resulted in a job offer to help identify investing opportunities.

Lewis had been introduced to Florida when his restaurant and catering company, Hanover Grand, was considered to run the British concession at Disney's Epcot Center. The working-class son of a London pub owner, Lewis had left school at 15 and eventually became immensely wealthy, first by building a global restaurant business, then as a currency trader who made huge and wildly profitable bets.

Tavistock, named after the London square where one of Lewis's first restaurants was located, became the holding company for Lewis's varied interests. He'd left England for the Bahamas in the 1970s, citing high taxes, but became enamored of Florida during the savings-and-loan crisis as struggling banks offloaded pools of loans and distressed properties. Says Doug McMahan, senior managing director and chief marketing officer at Tavistock: "He liked what he saw in Central Florida: opportunity, growth, and sunshine."

Thakkar's first assignment was to accompany Lewis to an auction conducted by the Resolution Trust Corp., the federal entity charged with selling countless properties as it cleaned up the S&L mess. "He never bids on a thing," says Thakkar, now senior managing director of Tavistock. "Then he asks to see the mayor and says, 'I noticed some packages didn't sell. I'll buy everything that didn't sell for the minimum reserve.' He couldn't have gotten it for a penny cheaper."

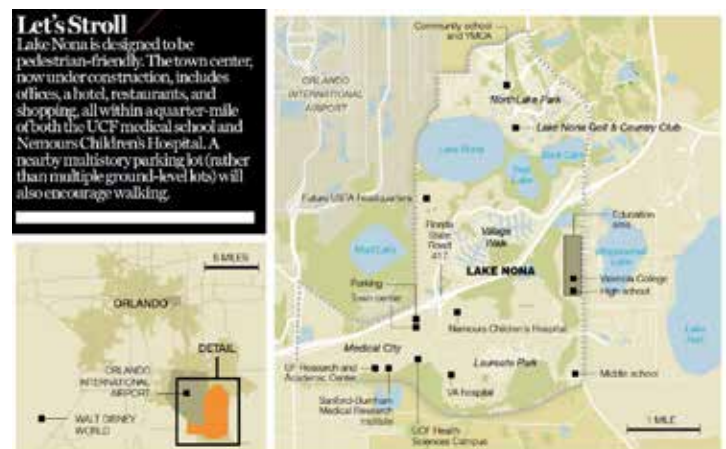
Initially Lewis's land purchases in Florida were opportunistic; he didn't have a big-picture strategy. In 1993, the year after he reportedly made more than \$1 billion betting against the pound alongside George Soros, he spent \$21.6 million to purchase Isleworth, a residential golf club that had fallen into receivership. Rather than chop up its lots to increase sales and cut costs, he kept investing, adding larger plots of land, thousands of rosebushes, and bigger houses. It soon became one of the most exclusive places in Orlando, home to the likes of Shaquille O'Neal, several CEOs, and Lewis himself, whose home features a Fernando Botero sculpture in the front yard.

Two years later Lewis pounced again, spending \$28 million to buy another struggling golf club, this one called Lake Nona, with 4,000 acres of land close to the Orlando Airport, which even then was becoming one of the country's busiest. Over time Tavistock added 3,000 adjoining acres. The company began constructing residences and later started a star-studded golf tournament, the Tavistock Cup. Lewis still had no master plan, just a sense that the land would one day be worth a lot more.



Nemours Children's Hospital, Lake Nona, Fla.

Photograph by Rebecca Greenfield for Fortune



Lake Nona Map

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 position 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 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 beginnings 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 only to ourselves, but to the entire region," Lewis says.

The first hurdle was attracting a top-quality research institute. Tavistock, along with local political leaders, targeted the Scripps Research Institute, which was planning to leave California. The Lake Nona team assembled what they thought was a winning package of incentives. But after rival Jupiter, Fla., upped its bid at the last moment, Scripps chose Jupiter instead in 2003. "It was a major disappointment," says Orlando Mayor Buddy Dyer. "Their incentive package was a little bit more robust. We wouldn't make that mistake again."

Chastened, Thakkar and his people regrouped. They realized that apart from the proximity to the airport and the subsidies, they had offered no broad vision to attract Scripps. "We studied clusters and saw that a medical school was a big part," he says. "A light bulb went off." Already Orlando's University of Central Florida, then the largest university in the country without its own medical school, had expressed a desire to build one. Seeing the school as the center of the new cluster, in 2005 Tavistock offered a generous package of incentives, donating 50 acres of land, then worth about \$30 million, and \$12.5 million in cash in a matching grant if the community raised another \$12.5 million (which it did). The state of Florida contributed an additional \$25 million, and the school admitted its first class in 2009.



The New Orlando VA Hospital, part of the Medical City at Lake Nona. June 2014.

Photograph by Rebecca Greenfield for Fortune



Homes in Laureate Park community in Lake Nona, Fla. June 2014.

Photograph by Rebecca Greenfield for Fortune

Lake Nona Medical City had its crucial first tenant. In 2006, Sanford-Burnham Medical Research Institute, based in La Jolla, Calif., announced its intention to expand. Again, the local and state governments turned to Lewis. The Tavistock Foundation and Lake Nona donated an additional 50 acres of land, with a market value of around \$30 million, and added \$19 million in cash to the \$230 million in government incentives. Even unrelated groups like Walt Disney DIS -1.60% saw the potential benefits, having its “imagineers” create a display area for Sanford-Burnham at the Epcot Center.

Tavistock had laid out \$91.5 million just to lure UCF and Sanford-Burnham. This was where its private ownership conferred an enormous advantage. Says Jim Zboril, president of Tavistock Development and Lake Nona Property, the residential arm: “The thing that we tout as our most favorable attribute,” he says, “is that we have one person with a long-term view.” There were no shareholders to consult, and nobody to complain that the investment would hurt the stock—just Lewis, who despite his success as a rapid-fire currency trader, is comfortable investing for the long term. He wasn’t always clear as to what Lake Nona should be, but whatever it was, he wanted it to be amazing.



UCF College of Medicine: Anatomy Lab. Lake Nona. June 2014.
Photograph by Rebecca Greenfield for Fortune

The completion of the Burnham deal attracted other institutions. In 2007 the federal government chose Lake Nona as the site of a VA hospital with the ability to serve 5,000 patients a day (the surrounding area has some 400,000 veterans). Says Orlando Mayor 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 MD Anderson Center and the University of Florida also opened satellites in 2010 and 2012, respectively—the latter 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 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 from each of the main entities sat, along with Tavistock executives. They negotiated solutions to common logistical challenges. For example, the parties jointly agreed to use one common Internet infrastructure for Medical City.

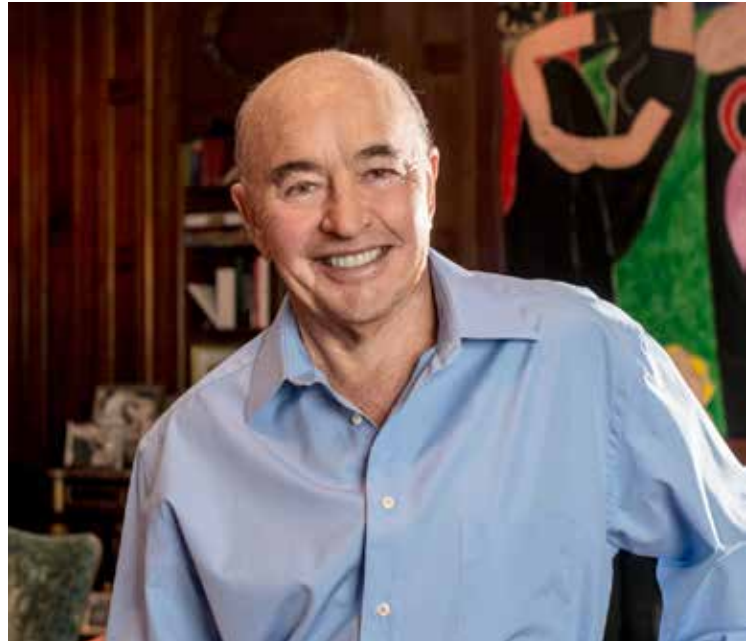
The coordination went even deeper. The CEOs of the medical entities decided to coordinate recruiting. Says Barbara Meeks, chief nurse executive at Nemours: “It’s easy to recruit talent from around the country because of the vision. I hired nurses from 40 different states.” But we now live in a world in which both members of a couple typically work. “There’s usually a trailing-spouse issue,” says Seymour. “So we get in touch with all the companies that are in the area based on what that spouse does, and we try to find them a job.”

Viewed from the ground, the scale and ambition of Lake Nona is impressive. Its residential plan seems to anticipate every personal and professional need. Start with the fact that Lake Nona is right next to the airport, which is a boon for travelers (though not ideal from a noise perspective). The houses start at a frugal \$200,000 and can reach the high millions in the exclusive golf club area. Some, in the Village Walk area, are built on canals, à la Venice. All have access to brand-new schools, a YMCA, and community hangouts. The only thing they haven’t solved is the searing heat. But swimming pools abound.

Technology is a critical element of Lake Nona’s plan to attract professionals. Such companies as GE [GE -0.61%](#) and Cisco [CSCO -1.34%](#) have come in as “strategic alliance partners,” providing custom-designed LED street lighting, wiring buildings for smart energy use (all the commercial buildings will be LEED certified), and other features. A separate Lake Nona institute is charged with designing health and wellness initiatives for residents, whose effectiveness Johnson & Johnson [JNJ -0.74%](#) will then monitor in a long-term longitudinal health study.

All 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.



Joe Lewis, Tavistock Group.
Photograph courtesy of Tavistock Group



Jeb Bush Former Fla. Gov. Jeb Bush speaks at the Hispanic Leadership Network conference in Coral Gables, Fla., Friday, April 19, 2013, an annual gathering of conservative Latino lawmakers.

Photograph by J. Pat Carter—AP

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.

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The art of the trade: On Joe Lewis's 250-foot yacht

by Jennifer Reingold @FortuneMagazine JUNE 12, 2014, 7:19 AM EDT

The billionaire's boat is an onboard mix of business and aesthetics.

Joe Lewis isn't afraid of risk. That's one thing his Lake Nona investment makes clear—as does a tour of his 250-foot yacht, Aviva, while it was docked at Albany, his ultraluxe residential and golf development in Nassau, Bahamas. (Tiger Woods is a partner.)

I quickly realized that Lewis could probably fund Lake Nona forever simply by selling the art housed on this floating museum. He's a top collector of modern and contemporary art, and I came nose to nose with a Picasso, a Klimt, a Lucian Freud, a Cézanne, a Chagall, and a Modigliani. I couldn't help wondering what a freak wave would do to the global art market—and what his insurance bill looks like. The collection will soon have a new home: Lewis is building a larger (300-foot) boat, which will feature a court for his passion, padel tennis (a mix of squash and tennis).

Lewis himself is surprisingly approachable. A slight but fit 78-year-old with a bit of a Cockney accent, he showed me around with a schoolboy's pride. In addition to the art, the yacht, decorated in royal reds and golds, boasts a starkly modern office, complete with a Bloomberg terminal and multiple trading screens. Lewis trades here every day. He says he tends to bet on liquid currencies such as the pound or the yen. In April he told me that the euro was too high and that the dollar would stay strong for a while. "Being a trader means that you are wrong at the very least three times out of 10," he says, "and that is very hard." At this point in his life, Lewis says he doesn't want to do anything that's not worth it. Lake Nona, he says, is iconic—and that's what makes him happiest. "We're not good at mediocrity," he says.

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