



Daniel Corp Plans Medical Office Buildings Adjacent to New Trinity on 280

Court Victory Sets in Motion \$750 Million Development

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by Stan Diel

BIRMINGHAM, Alabama – With the years-long fight over Trinity Medical Center’s plan to move to U.S. 280 resolved in the hospital’s favor, plans are once again in motion for \$750 million worth of directly related development.

Daniel Corp., which owns the hospital building and the surrounding campus, plans to begin construction on a \$40 million medical office building adjacent to the hospital soon, said Senior Vice President Jim Adams. The goal is to have the medical office building, in which seven floors of offices will sit atop five or six levels of parking, open at the same time as the new Trinity. The company is preparing to contact tenants of the medical office buildings near the existing Trinity and anticipates nearly all will make the move to the new building.

Next, Daniel plans to strike a deal with a four-star hotel to be built adjacent to the existing Cahaba Grand Conference Center, which the company also owns. It’s not yet been determined whether Daniel will own the hotel and contract with a chain to run it, or sell the property to a hospitality company, Adams said. Simultaneously, retail development of about 20,000 square feet of property on the portion of the campus that faces U.S. 280 is likely.

Many details of the plans, which had been mothballed like the unfinished “digital” HealthSouth hospital, remain to be determined. But the entire project, including construction of the hospital, is expected to directly create 4,000 jobs and generate an annual payroll of about \$133 million during construction, according an Auburn University at Montgomery impact study that was at issue in the court battle.

Trinity first proposed moving from its Montclair Road campus to the unfinished HealthSouth hospital building in 2008. State regulators approved the plan, but Brookwood Medical Center and St. Vincent’s Health System sued to block it, arguing that it would cost them millions of dollars in lost business and that Trinity’s plan was inconsistent with the state health plan.

Opponents also argued that the loss of the existing Montclair Road Trinity would harm its community, in part because a vacant medical campus is thought to be unappealing to many non-medical investors and developers. Trinity and Birmingham Mayor William Bell have pledged to work together to find a suitable use for the Montclair Road property.

After the battle wound its way through the courts, the Alabama Supreme Court last month declined to hear the case, clearing the way for Trinity to move. Trinity is in the process of buying the hospital building from Daniel. That deal should close before the end of the month, Adams said. Completion of the hospital building –

mothballed since HealthSouth's billion-dollar accounting fraud came to light in 2005 – likely will take about two years. Trinity and Daniel have been splitting the \$1.2 million to \$1.5 million annual cost of keeping the building in mothballs as they awaited a resolution of the case.

Farther away in the U.S. 280 corridor, developers and other businesspeople are preparing to take advantage of the hospital project as well.

Texas-based Pappas Restaurants Inc., which operates 11 restaurant chains, acquired the former Ralph & Kacoo's restaurant on U.S. 280 near the I-459 interchange in 2002 for \$3.1 million and now, 11 years later, is preparing to replace it with a Pappadeaux Seafood Kitchen restaurant. Greg Despinakis, a Southpace Properties broker who represents Pappas in Alabama, said the decision to move forward was not a direct result of Trinity's move, but that the company's management is "delighted to see that finally resolved."

The company, which was awarded more than \$700,000 in incentives from the city of Birmingham, will let bids for the project later this month "and get underway right away," Despinakis said.

Development of several medical facilities on the nearby Patchwork Farms site, which includes 80 acres between Cahaba River Road, Caldwell Mill Road, U.S. 280 and Interstate 459, also has been in the works. Efforts to reach developers who have planned a retirement home and a skilled nursing facility there were not immediately successful.

While Daniel Corp. is planning to place a four-star hotel on the campus, other hotels in the neighborhood also expect to benefit. The Birmingham Marriott sits directly across U.S. 280 from the development. Joe White, the hotel's general manager, said his hotel is a typical corporate property, meaning it has more guests mid-week. He thinks Trinity and its related development will significantly boost bookings on "shoulder" days.

"We're excited about it," he said. "Only good things will come from this for us."

Back across the street, where Daniel's corporate headquarters is located, Adams expressed relief at having the long fight over and said managing a project on the company's own campus will offer a few advantages.

"We're ecstatic. Birmingham is our home and this is our backyard," he said. "And it'll be easy to monitor construction. We can just look out the window."