



This rendering shows the design for the 26,633-square-foot addition that Bloomington-based MedCraft Healthcare Real Estate LLC is developing for the Lakewood Surgery Center (seen in right background) at 1542 Golf Course Road in Grand Rapids, Minnesota.

## MedCraft buys Grand Rapids center

Developer will lead expansion of medical facilities

*Editor's note: Minnesota Snapshot reports interesting sales and development projects happening throughout Minnesota. The transactions are based on the certificates of real estate value filed with the state Department of Revenue, copies of which are available with the story at [finance-commerce.com](http://finance-commerce.com). Other items may come from government agendas and news releases.*

**BY ANNE BRETTS**  
Special to Finance & Commerce

Bloomington-based MedCraft Healthcare Real Estate broke ground Tuesday on its latest development project, a \$20 million expansion and renovation of the Lakewood Heights Professional Building in Grand Rapids, Minnesota.

As part of the deal, MedCraft closed June 30 on the \$9.175 million purchase of the 37,126-square-foot Lakewood Heights building at 1542 Golf Course Road from the physicians who owned it. The purchase price works out to \$247 per square foot.

MedCraft, formerly known as Frauenshuh HealthCare Real Estate Solutions, partnered with Grand Rapids State Bank to assemble the financing package for the total project.

MedCraft is redeveloping the clinic for the Lakewood physicians and Duluth-based Essentia Health. Essentia is investing \$14 million to expand the operations of its Grand Rapids Clinic, offering primary care and specialty practices in the building. Essentia also is buying an interest in the Lakewood Surgery Center's operations and signing a long-term lease for the building. About 25 percent of the finished clinic will continue to be leased to other tenants.

Dr. Dan Margo, a general surgeon and chairman of Lakewood's board of directors, explained in an announcement that the expansion will provide more local access to cardiology, podiatry and orthopedics services as well as future access to urology, ear, nose and throat care and oral surgery.

With expertise in projects across the nation, Medcraft's professionals have worked with the medical professionals in Grand Rapids to see how the building design can expand health care



delivery now and have the flexibility to adapt to change in the future.

"I think that's part of the role that we play," Eric Carmichael, a MedCraft principal, said in an interview after the groundbreaking. "Our core emphasis is that the health system is cost effective."

MedCraft has been involved in projects of varying sizes.

"What's being built are smaller-scale projects," Carmichael said. For example, the company is just wrapping up a 15,000-square-foot clinic in Buffalo. It also is involved in 40,000- to 60,000-square-foot projects in Wisconsin, Michigan, Colorado and Kentucky.

The Grand Rapids project, due to finish next summer, will nearly double the size of the clinic, creating a 63,759-square-foot primary and specialty care clinic and outpatient surgical center. Essentia will expand its primary care capability, increasing from six exam rooms to 24, according to Essentia's announcement.

Minneapolis-based Kraus-Anderson is the general contractor.

While the new clinic reflects improvements in health care delivery, it also reflects today's health care alliances. The clinic will be affiliated with Essentia Health-Deer River, a 20-bed hospital about 11 miles to the west. The affiliation comes even though Lakewood is next door to the Itasca Grand Clinic & Hospital, which Minneapolis-based Fairview Health acquired in January.

Essentia operates 15 hospitals, 75 clinics, six long-term care facilities, two assisted living facilities, four independent living facilities, five ambulance services and one research institute.

Fairview operates eight hospitals, 44 primary care clinics and 34 pharmacy locations.

The two organizations have been

expanding their territories into rural Minnesota for years, with Grand Rapids as one of the last areas up for grabs.

Itasca County has 45,000 people in 2,928 square miles of sprawling woods and waters. By comparison, Scott County has 129,928 people in 356.68 square miles.

Grand Rapids lies 83 miles northwest of Duluth and 191 miles north of Minneapolis, but most health care services are available closer to home. To the east, Fairview operates Fairview Range Medical Center in Hibbing, while Essentia operates Hibbing Clinic. Virginia is served by Essentia Health-Virginia hospital, while Fairview runs Fairview Mesaba Clinics-Mt. Iron, just outside the city.

Fairview and Essentia are outgunned to the west, where Sanford Bemidji Medical Center & Clinics marks the territory of Sioux Falls, South Dakota-based Sanford Health. The health care giant operates 45 hospitals and 289 clinics in nine states and three countries, according to its website.

In some ways the alliances are similar to those forged in urban areas, said Terry Hill, executive director of rural health innovations and senior adviser for rural health leadership and policy for the National Rural Health Resource Center in Duluth.

"We're seeing fewer and fewer independent hospitals," Hill said. The stakes are higher in areas where there are fewer patients.

Hill hadn't seen the new Grand Rapids expansion plan, but knows northern Minnesota well. He cautioned that consolidation into large systems that compete instead of cooperate could leave some rural facilities struggling. Hospitals, with their higher overhead, already are feeling the pinch as services are shifted to outpatient facilities, he said.

"There are really extraordinary changes going on," Hill said.

Keeping people healthy is becoming more important to insurance companies and health care providers.

"We are moving from paying for procedures into paying for value," Hill said.

### Online

A copy of the certificate of real estate value is available with the story at [finance-commerce.com](http://finance-commerce.com).

