



MERCHANDISE MART PROPERTIES, INC.

Suite 470 The Merchandise Mart, Chicago, IL 60654
Telephone: 312/527-4141

MARK FALANGA
Senior Vice President

Direct Dial: 312-527-7685
Facsimile: 312-527-7782
email: mfalanga@mmart.com

Mr. David J. LaRue
President & Chief Operating Officer
Forest City Enterprises
1100 Terminal Tower
50 Public Square
Cleveland, Ohio 44113-2203

Dear David:

Thank you very much for all of your support as we evaluate options for the new Cleveland Medical Mart, tradeshow facility and conference center.

At the County's request, we have revisited our consideration of the Forest City site.

We have had a chance to review a range of options for the Forest City site. We reviewed the 2004 plan, the 2004 modified plan, the plan reviewed by the Greater Cleveland Partnership, six plans which we developed ourselves, the modified plan you presented in our office on March 10, and the notional plans you presented to the City of Cleveland Planning Commission and staff last Friday, March 14.

These plans have been reviewed by our team at MMPI which includes executives in construction management, tradeshow production, meeting planning and logistics. Additionally, we have reviewed the work product with our architectural team from Valerio DeWalt Train, our construction consultants from Walsh Construction, the County's convention consulting firm, Conventional Wisdom, and several other engineering and construction experts as well.

The Forest City Site is a Non-Starter

The Forest City site, in our opinion, is a non-starter. The site itself is too narrow to fit a marketable convention center. If the site was widened into the river to accommodate the larger width, the over year-long delay in obtaining a permit would be unacceptable. The speed-to-market at the site is also too slow because of the need to re-create parking for the 600 stalls, plus or minus, to which Forest City has currently committed. The construction and engineering risks associated with the multi-level site and its proximity to the river are unquantifiable and are not factored into your construction estimates. As such, we do not believe we can compel a contractor to accept the risks of

Managers of:

The Merchandise Mart 350 West Mart Center Market Square Furniture Plaza Hamilton Market
Plaza Suites The National Furniture Mart I A Mart® 7W New York™ Architects & Designers Building
Boston Design Center The Washington Design Center Federal Center Southwest

building there for the cost indicated and we believe that the costs you have produced do not represent the full scope of the required construction.

There are a number of other issues, and I have tried to provide an overview of those later in this letter.

The Site Is Too Narrow To Fit A Marketable Convention Center

From the edge of Huron Road to the bank of the Cuyahoga River is approximately 360 feet. The inside dimensions of the convention hall need to be at least 270 feet and we need approximately 30 feet on both sides to accommodate circulation, exiting, and support functions. In addition to this, we also need to accommodate a functioning loading dock on the same level. The minimum width for this would be 90 feet. So the total width required is 420 feet. The physical width of the site will not allow a convention center to be built without encroaching on the Cuyahoga River or extending underneath Huron Road. The geometry of the site is unforgiving and unacceptable.

The 270 foot dimension included in your presentations includes the support spaces. These support areas cannot be included in the inside dimension of the convention hall. The actual tradeshow space in your plan is 210,000 SF or 22% below the 270,000 sf at the Mall site.

Expanding Into The River Is Not An Option

The idea of expanding into the river is not an option. We do not know whether or not the Army Corps of Engineers, the Coast Guard or the many other regulatory agencies which would have jurisdiction if we sought to encroach on the river, would give us permission. We do know, however, that any such permission would not be available for approximately 12 to 18 months. This delay in the project is unacceptable, and we could not incur the risk of beginning work on the project prior to receiving a fully-executed permit. The viability of the site is contingent on permitting delays and uncertainty.

Permitting Is Too Risky

A permit to encroach on the river is not a guarantee. It is possible that we could wait for 12-18 months to obtain a permit to encroach on the river and not get approved. At that juncture, we would have to undergo a major re-design or abandon the site altogether.

The Speed-To-Market Is Too Slow At The Forest City Site

We believe other options exist in Cleveland that would allow us to begin operating much of the conference center and a small tradeshow facility within 12 months of the start of construction. The Forest City site would represent a major setback to this plan and would require several years before it was operational. In addition to the permitting delays noted above, we would need to bring the structure up over a hundred feet, and we would need to relocate important utilities, all of which would cause enormous delays to the construction. As stated, your plan could require special permitting in order to encroach on the Cuyahoga River. There are major utilities that require relocation. And there is existing parking that would have to be replaced.

The Ceiling Heights Are Unachievable As Designed

The 30 feet clear ceiling height required over most of a convention center is obtained in your plan by the use of box and Vierendeel trusses that would extend into the ceiling cavity above the convention floor and into the meeting room level above. The ceiling cavity that would contain all of the MEP distribution required for the convention space and the meeting rooms is shown as a 42" space. This is physically impossible to achieve. The ductwork alone for the mechanical distribution could be three to four feet deep. Add light fixtures, sprinkler systems, electrical, the ceiling cavity would have to be at least five to six feet in depth.

Steam Pipe Relocation Is Unpredictable, Expensive And Time-Consuming

Much of downtown Cleveland derives its heating in the winter and power for cooling during the summer from a central steam plant. The steam is distributed through a series of pipes to the major buildings in downtown. Because the steam is used in both the winter and in the summer, the pipes are always in use. Those pipes run through the middle of this site. Re-engineering a new distribution system is expensive, and the construction to execute those plans is risky and slow-moving. The added cost, the added risk and the delay are unacceptable.

Live Railroad

There are several active railroad lines which will continue to operate on the site during the proposed construction. The railroads are notoriously difficult to deal with and the delays associated with garnering their permission are impossible to predict. The costs associated with relocating the lines or changing the construction techniques in order to accommodate the railroads are unpredictable, and we cannot assume this added risk.

The Support Space Is Inadequate To Attract Tradeshow Managers

The schemes which we have reviewed do not provide enough support space to adequately support major events. The back-of-the-house component has been largely ignored. The operational requirements of tradeshow managers often drive locational decisions. A quick review of the plans by a competent meeting planner reveals too many missing elements. The site itself is not large enough to add these elements without removing other uses.

The Meeting Rooms Are Misshapen, Inadequate And Unmarketable

The meeting rooms are not marketable to conference managers. They are the wrong shape and size, and they have limited capacity to be reworked into a useful configuration.

The Loading Dock Is Sloped, Making It Dangerous And Inoperable

The newest versions of the Forest City site plan achieve cost savings by eliminating much of the construction costs associated with creating a workable loading dock. The resulting inoperable loading dock suggests it is possible to efficiently load and off-load trucks in a sloped area. This is an impossible design configuration.

The Views Of And From The Medical Mart Are Unacceptable

It is important that the medical mart be located in a prominent location with great visibility. The Forest City site would see it located with a view of the roof of the tradeshow facility to its west, the back end of the Sherwin Williams building to the north, some form of big box retail to its east and a limited view of the largely-abandoned flats area to the south. This is not the sort of location which will attract the regional staff of important manufacturers of medical products. If it were a first-class location, it would have been built upon by now.

Forest City Retains Development Pad On Huron Road

We cannot understand why the medical mart should pay for the entire infrastructure on the site and then provide Forest City with a development pad at grade level on Huron Road for their own use. It represents poor stewardship of the public dollars, and it would allow the entire new development to be obscured by an unknown use on the east end of Huron Road. Furthermore, we do not believe that we could lease space in a tradeshow facility to tradeshow managers were there to be ongoing construction in the adjacent site. We do not think that if the cost for this additional structure has been factored into your cost estimates.

Soil Contamination Is An Issue

We have asked for, but have not received confirmation of the soil quality at the Forest City site. Forest City has owned this land for years, but has provided no credible information regarding the quality of the soil. We are hesitant to get involved with the complexities of what might be a contaminated site. The Federal Courthouse, which is close by, had contaminated soil with environmental issues which required soil remediation. We cannot expose ourselves to this risk.

The Construction Estimate Provided By Forest City Is Not Verifiable

The construction quotes we have seen from Forest City are for a facility that does not meet the basic programming requirements and does not account for unforeseen circumstances resulting from permitting complications. Forest City's numbers are unverifiable and we have no confidence that a building that meets the basic programming requirements on the Forest City site can be built for anything less than or equal to what construction will cost on Mall site.

HVAC Cost Estimates Are Not Credible

The cost estimates for the HVAC work at the Forest City site are significantly below other estimates which we have received and are not credible. On a per-square-foot basis, they are significantly below the estimates on any other site provided by MMPI's consultant, Walsh Construction, or by any of the County's consultants, including Turner Construction, or Conventional Wisdom.

The Electrical Cost Estimates Are Not Credible

The cost estimates for the electrical work at the Forest City site are significantly below other estimates which we have received and are not credible. On a per-square-foot basis, they are significantly below the estimates on any other site provided by MMPI's consultant, Walsh Construction, or by the County's consultants, including Turner Construction, or Conventional Wisdom.

The Forest City site is far more expensive than the alternative site at Mall B. We are agnostic as to the site. We just want one on which we can build within the confines of the County's budget. We do not believe we can get the job done at the Forest City site without raising significant taxes.

We appreciate the opportunity to comment on your plans and the site. We have extensively reviewed the alternatives and continue to believe that the Forest City site is unworkable, fraught with risks and delays, and too expensive, especially when compared with the viable alternative at the Mall site.

Best regards,



Mark Falanga
Senior Vice President

cc: Commissioner Peter Lawson Jones, President
Commissioner Jimmy Dimora, Vice-President
Commissioner Timothy F. Hagan
Board of County Commissioners
1219 Ontario Street, 4th Floor
Cleveland, Ohio 44113

Christopher G. Kennedy (MMPI)
Myron D. Maurer (MMPI)