Doing Adaptive Use

MARY KONSOULIS

Adaptive use projects in the United States offer rewards, risks—and incentives—for the development industry.

IT HAS BEEN MORE THAN 30 years since the Rouse Company with Benjamin Thompson & Associates turned down-at-the-heels public market buildings in Boston into the nation's first festival market. The success of the mixed-use retail and office complex known as Faneuil Hall Marketplace helped encourage adaptive use and reinvestment in urban centers around the country.

Over the decades, almost every building type—schools, offices, warehouses, even grain silos—has been tackled in adaptive use. Adapted structures, many historic, can be found in cities and towns across America. These once-outmoded buildings now house new, economically viable uses and often act as a catalyst for larger economic renewal in their respective communities. However, while the practice seems so accepted, adaptive use projects still come with their own set of issues far different from those of ground-up projects. Today, a number of rewards, risks, and incentives face the development industry in doing adaptive use.

Economic Reasons for Reuse

Why are today's developers interested in tackling adaptive use projects? In part, it is an attraction to a unique or historic building that provides the allure, but the decision tends to be solidly based on economics. "We have a passion for the adaptive use market. We've shown that a well-done adaptive use project can achieve higher price points than ground-up construction," says Toby Millman, vice president of project development for Abdo Development in Washington, D.C.

Old or historic buildings often are one-of-a-kind survivors of a more ornate architectural past. That uniqueness can offer financial advantages. For example, Abdo's Landmark Lofts project near Union Station in Washington, D.C., involved the conversion of a 19th-century former convent, chapel, and old-age home into high-end condominiums. The project includes 44 units with features such as exposed brickwork or beams; one unit in the chapel retains a massive vaulted ceiling.

Because of their structural layouts and floor-to-floor heights, old office buildings, stores, warehouses, and schools easily lend themselves to reuse. Since much of the structure remains intact, not only are material and labor costs reduced, construction time can be shortened. Bill Herman, president of Urban Realty Advisors in Washington, D.C., notes that reusing old buildings can save money in the long run. "It's not just the coolness factor of figuring out some other use for an old building. The replacement cost of the building today is just enormous," he explains. The idea, says Herman, is "if you can do something with this box . . . figure it out."

Adaptive use, and its potential cost savings, is not just about old buildings. Newer structures also can offer potential for reuse. In a project for AOL in Loudoun County, Virginia, David Haresign, partner with Bonstra Haresign Architects, Washington, D.C., and as a principal/director of architecture at D.C.-based Ai (now Perkins + Will, which is based in Chicago) led an architectural design team

An adaptive use project in Washington, D.C., Landmark Lofts involved the conversion of a former convent and old-age home built in 1870 into 44 condominium units. Some 432 units were added in two new towers, while concierge and other services will be housed in another restored building on the site located between the two new structures.

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in the conversion of a nondescript 120,000-square-foot (11,148-sq-m) airplane parts warehouse into a 180,000-square-foot (16,722-sq-m) office building, complete with training space, conference rooms, and food service. "[We] morphed it into a very cool . . . state-of-the-art office building that no one would have dreamed would have worked as an office building," Haresign claims. "We did it in six months . . . from start of design until move-in." The building's generous interior height allowed for a second floor to be created within the structure. New atriums and glass panels inserted into the facade bring light into the formerly windowless building, he adds.

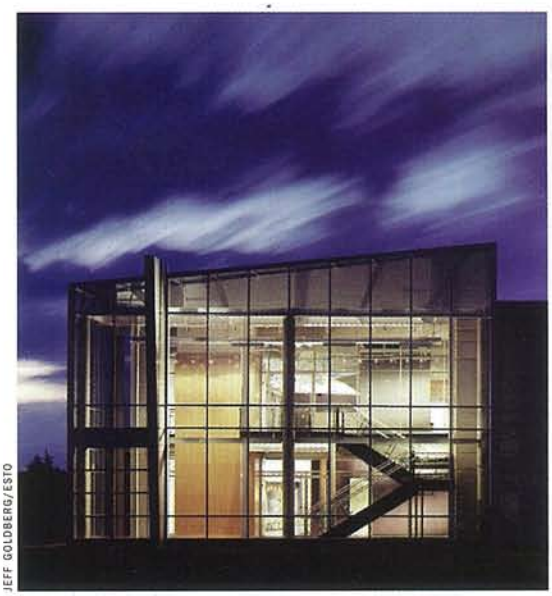
Existing buildings may already be at zoning buildout. With little zoning incentive to demolish and rebuild, coupled with solid structure and good floor-to-floor heights, a strong argument can be made for reuse. An example is a condominium project at 701 Lamont Street, N.W., in D.C.'s Petworth neighborhood by locally based Bonstra Haresign Architects, which took a 1950s-era laundry plant and converted it into 38 units. "The 701 Lamont was a good fit [for adaptive use] . . . because it had incredible floor-to-floor heights and it was a bigger building than you could build there today," notes Bill Bonstra, managing partner of the firm. The project took advantage of the industrial building's large interior space to create duplex lofts with high ceilings and open floor plans, he explains.

Responding to Reuse Risks

There are risks inherent in adaptive use projects. The largest single factor is the unknown: the unseen conditions that lurk behind decaying walls. Decades of being open to the weather can weaken a building's structure and ruin decorative details. Record drawings, if they exist, may be inaccurate after years of occupancy and piecemeal changes. Asbestos, buried fuel or chemical tanks, and contaminated soil are frequent environmental hazards that can cause delays during reuse projects. Unearthed historical artifacts can trigger a potentially time-consuming archaeological analysis of the site.

Higher architect fees, more change orders, and higher budget contingencies are responses to the unique conditions often found in an adaptive use project. Abdo Development created its own general contracting group to help reduce risk and control costs, developing an in-house crew skilled in dealing with the quirks of these types of projects. The firm also employs its own in-house architect to design its adaptive use projects. "Many decisions are made as we pull down walls. The design process has to be flexible in responding to these situations," Millman says. Having an in-house architect enables the organization to "figure out the best way to approach the building," he notes. For example, the plans for Abdo's Landmark Lofts project were changed—slightly reducing the number of units—during the interior demolition phase of the project as the old building's structure was revealed.

Lenders weigh these risks. A developer's experience with adaptive use, evidence of a healthy contingency to deal with potential cost overruns, and—usually—presale of units in a condo project are what lenders look for when doing an adaptive use deal. "We're choosy about what developer we work with. They have to have the wherewithal to address cost overruns," acknowledges Tim Brown, a vice president at National City Bank Investment Real Estate Group in Cleveland, Ohio. National City Bank has worked extensively with a broad range of adaptive use projects in Cleveland and other cities across the country. As adaptive use has become more mainstream, National City Bank has built up a "comfort level," Brown says. "Adaptive use is an important part of what developers are doing."



JEFF GOLDBERG/ESTO

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Glass and steel elements inserted into the windowless facade of a former airplane parts warehouse that was converted into an office building for AOL in Loudoun County, Virginia, were a design response to the industrial nature of the existing building as well as a way to provide light and take advantage of views. The 30-foot (9-m) ceiling height allowed for the creation of a second floor within the existing structure.

The regulatory review process for a historic building or one in a historic district can also add time to the design and construction process. Lee Quill, a principal with Cunningham+Quill Architects in Washington, D.C., notes, "The regulatory issues have be-

BORIS FELDBLYUM

The 38,000-square-foot (3,530-sq-m) Lamont Lofts project in Washington, D.C., involved the conversion of a 1950s-era laundry plant into 38 condominiums with high ceilings and exposed brick and ductwork that echo the building's original industrial use.

come fairly complex, so one has to understand how to negotiate and work with [them] in a positive way." A first step for Quill, he says, is to understand the history of the building and its context and to use this information to help educate reviewers and the public about precedents that can be used in the design. History, however, does not have to translate into historic reproduction. For Caton's Walk, a mixed-use project along D.C.'s historic Georgetown waterfront, Quill was able to add a modern steel and glass roof addition to a 1920s automobile warehouse. Project reviewers, including the National Park Service, Old Georgetown Board, and the Commission of Fine Arts, accepted this modern interpretation, Quill says, because the design was handled in a way that was in keeping with the waterfront's historic industrial nature.

Some developers are finding that one way to increase predictability and control the outcome of adaptive use projects that involve old buildings that are likely to be historic is to take the lead in applying for landmark status. This is especially true if the project requires exterior changes to the building or additional structures on the site. By participating in the process, a developer can reduce potential conflicts with the community and reviewing agencies, saving time in the long run. "You'll agree to the landmark status . . . as long as [they'll] let us make those changes," Herman says. "The developer wants control . . . that's because . . . lenders . . . are not going to put up money if there's no control."

The ornate San Fernando Building, originally built in 1906 as offices, now houses 70 rental lofts in Los Angeles's revitalized downtown, part of a three-structure Old Bank District complex of adapted early-20th-century office buildings now used for housing. It was the first project completed using L.A.'s adaptive reuse ordinance.

LOS ANGELES CONSERVANCY

Incentives for Adaptive Use

Cities have become more savvy in modifying certain building standards to encourage renovation and adaptive use. Some have codified these actions into specific adaptive use ordinances aimed at revitalization. Los Angeles, targeting old commercial structures in its downtown for residential redevelopment, passed an adaptive use ordinance in 1999, and later expanded it to include other areas of the city. Revised codes, which ease requirements like parking, make it easier to adapt old office buildings into housing units. A streamlined and predictable permitting process also helps. "The ordinance is one of the great success stories of municipal city planning nationwide. It's rare for a single program to generate so much investment," says Ken Bernstein, manager of Los Angeles's Office of Historic Resources. According to Bernstein, approximately 4,000 new residential units have been constructed in Los Angeles because of the ordinance, with another 3,000 to 4,000 under construction. "It's remarkable," he says, "particularly in a city that had no tradition in converting historic buildings into housing units."

Supporting the ordinance were efforts by the municipality, the Los Angeles Conservancy, and the Central City Association, which partnered to market downtown to lenders and developers. The Los Angeles Conservancy also commissioned a survey of the downtown's large stock of commercial buildings, many of which had stood mostly vacant for decades as office development moved westward in the 1960s and 1970s. The survey identified 50 downtown edifices suitable for conversion—an evaluation that included interior layout, access to light and air, and structure. This list further helped to attract investors.

Developers in the downtown district have also used a building's landmark status to their advantage. "Many developers have coupled the adaptive use ordinance with historic preservation incentives that helped make the project pencil out," says Bernstein. Income-producing projects can make use of the federal rehabilitation tax credit. California state law also provides a financial incentive by allowing a property tax reduction over a ten-year period.

The use of ordinances and incentives for adaptive use and revitalization is not limited to large cities. Ames, Iowa, home to Iowa State University and about 30 minutes from the state capital of Des Moines, also has an adaptive use ordinance, passed in 2000. The ordinance allows the municipality to waive certain requirements related to height and parking, for example, as long as the project can show historic, architectural, or economic benefits to the city. Use of the ordinance has been slow to catch on, however. In Ames, explains Gloria Betcher, chair of the city's historic preservation commission, it is "difficult to convince people that it's equally economically viable to do adaptive use as opposed to demolishing and rebuilding."

What is showing promise as a reuse tool is the municipality's tax abatement program, which was created as an incentive for urban revitalization, not necessarily adaptive use. Kingland Systems, a Clear Lake, Iowa–based technology services firm, converted the Ames Theater, an early-20th-century movie house

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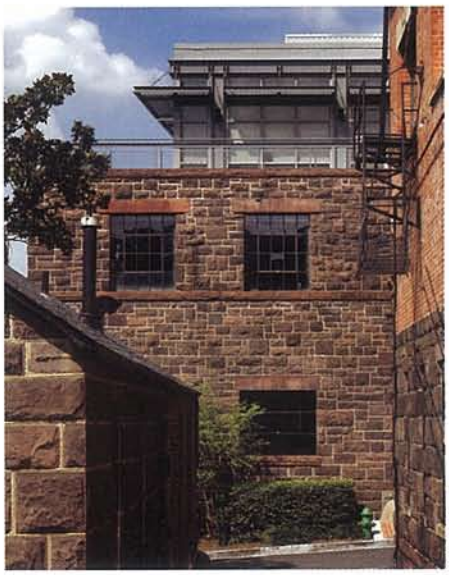

PAUL BURK

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A 1920s automobile warehouse, located immediately adjacent to the C&O Canal in Georgetown, a historic section of Washington, D.C., was converted to a mixed-use project called Caton Walk. The restored building facade and a low and set-set-back glass-and-steel addition on the roof complements rather than overpowers the existing structure. The detailing of the windows in the new addition echoes the gridded windows in the original edifice.

located near the Iowa State University campus, into office space in 2004. While location was an important factor in the company's decision to renovate and occupy the theater, the property tax abatement, which was reflected in Kingland System's lease, provided an economic incentive to make needed repairs to the building.

KINGLAND SYSTEMS

KINGLAND SYSTEMS

By the late 20th century, metal panels obscured the original brick facade of the Ames Theater (above left) in Ames, Iowa. As part of the adaptive use project, the modern metal panels were removed, which made the brick facade more in keeping with its original appearance; then the marquee was retained as signage for Kingland Systems (left).

The design maintained the look of an old theater while inserting open-plan work stations for the largely student workforce into the space. Old movie posters decorate the walls and a large retractable screen, located above the former stage, is used for training films. On the exterior, metal paneling was removed to reveal original decorative details. Since the building was not a designated historic landmark, Kingland Systems was not required to review the project with the city's historic preservation commission. It did so voluntarily, however, and accepted suggestions made by the commission that improved the historic facade using cost-effective methods and materials. "Intriguing to take an old, dilapidated building and turn it into a unique, neat place to work. It worked out well," says Jeff Gorball, managing director of Kingland Systems.

The theater project is one example of a success story that can help local developers and business owners see the benefits—and not just the risks—of adaptive use. Whether in D.C., Los Angeles, or Ames, Iowa, adaptive use can be as much an education process as a construction project. **UL**

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