Adaptive Reuse -
A Case Study

“\text{The mission: find a temporary location that the Nevada College of Pharmacy could grow into over a period of three to five years and locate a suitable property for the final home of the institution.}”

The Challenge Accepted
As a start-up business (in this case, a non-profit college), it was a challenge for the Nevada College of Pharmacy to show the financial strength necessary to enter into the type of long-term lease it required. The College’s needs were specific and predictable. The mission: to find a temporary location that the college could grow into over a period of three to five years and locate a suitable property for the final home of the institution. In most instances, property owners cannot hold their product for such a period even in the situation of a “must take” graduated lease.

The Strategy Put in Motion
We clearly needed to accomplish two things.

1. Locate a temporary facility (a sublease) for the college that would accommodate the growth for a period of approximately two to three years and
2. Find a site for a permanent campus

With the specific build-out that was required for the college, this was a challenge. However, such a property presented itself when three separate companies offered their space for sublease in the same building. Two of the sublease tenants were my clients—I had completed the original leases. We were able to effect a sublease that was beneficial to the college and included furniture and fixtures for all of the offices. Combining three of the subleases, the college was able to lease 30,000 square feet of space. We then were able to begin site selection for the permanent campus in an organized, detailed fashion.

The strategy allowed the college to “grow” financially and significantly increase enrollment before negotiating a deal for its permanent facility. The credit enhancement that would have been required if we had attempted a permanent facility in the first year was prohibitive. The college grew from 38 students when we began the process to 310 students at the time of its move to a permanent home.

The “control process” dictates that a thorough program of the client’s requirements be set forth and clearly understood between the tenant and the consultant, and that an outline of all of the steps of the process and a timeline for their completion be developed. To ensure that anxiety will be minimized, and all parties are confident that no part of the process will be overlooked or ignored, it is imperative that the client understand the process from beginning to end.

The following requirements were determined:
Requirement #1—“Grow” into the project in phased occupancy
This meant that the projects that we could consider must meet certain guidelines. It must be a project with multiple buildings or a minimum of 20 acres of land. It must be a project where the developer had already planned his development in “phases,” or where buildings would be vacated over a period of time. There were 31 sites that were possible selections fitting the criteria above.

Requirement #2 – Occupy the facilities at specified times
The Nevada College of Pharmacy needed to occupy approximately 70,000 square feet of space beginning either September 2003, January 2004, or September 2004. Most businesses can plan a move at any time so long as they have sufficient notice of the anticipated date. The only time the college could move would be in between semesters; hence, the above requirements.

The college would then need to occupy an additional 30,000 square feet beginning September 2005. With that expansion, the college would convert to a University of Health Sciences, adding other programs along with the Doctorate in Pharmacy program already in place.

Requirement #3 – Provide for expansion capability
After 2005, expansion will continue over the next five years as new programs are added. It was important to plan for the eventual growth even though the exact program for the growth cannot be established until the order for adding new programs is set. At this time, the Strategic Planning Committee (which I chair), is looking at the programs that are needed in the community and the costs and income associated with those programs, and it is setting its strategy and goals for the future.

Requirement #4 – Price and Condition of the Space
With the most critical issues in the site selection being expansion capability and the “newness” of the college (credit enhancement), price and condition of the space delivered to the college ranked next in importance. Location, too, is always a factor; although visibility from a major freeway or thoroughfare was not necessary.

New Use of Old Space
As we began assembling the initial list of prospective sites, I recalled that a local landlord had four 100,000 square foot warehouses where the current tenant was constructing its own building to house approximately 900,000 square feet of convention storage. The tenant would be vacating 300,000 square feet of warehouse space within the year. The warehouses were older, and in a poor location for warehousing.

NEVADA COLLEGE OF PHARMACY - CASE STUDY
Nevada College of Pharmacy represented by Commercial Associates, Inc.; Judi A. Woodyard, CCIM, SIOR - Broker/President.

THE CHALLENGE:
—Nevada College of Pharmacy as a start-up, non-profit business.
—Nevada College of Pharmacy has specific, quantifiable growth needs that would span a period of three (3-5) to five years.
—Nevada College of Pharmacy relies on its student tuition for its income. Tuition is paid twice each year and increases as the college grows in attendance. The cash reserves when the college first opened were minimal.
—Co-ordinate all facility events with the College Accreditation Schedule.

THE STRATEGY
—Complete an extensive growth projection analysis (10-year program).
—Validate the entire program.
—Locate a temporary facility that the college could occupy short term (Approximately 2 years).
—Locate a permanent facility that would allow the college specific expansion opportunities.

THE IMPLEMENTATION
—Establish a detailed process – Validate the process.
—Carefully guide the process.
—Build credibility for the college.

THE RESULTS
—Acquisition of an unusually suitable sublease, including furniture and fixtures, for the initial two year requirement.
—Acquisition of a permanent “adaptive reuse” facility on excellent terms and conditions, including an Option to Purchase.
—Coordination of a dual, simultaneous Design Build project. Shell construction including reengineering of warehouse space to support office mechanical and electrical; rework of the exterior; addition of common areas and student/faculty restrooms; extensive use of skylights. Tenant improvement construction including state-of-the-art classrooms; student center, library and drug information center, faculty and staff offices, student laboratories, faculty research laboratories, and a wireless communication system.
—All elements completed on time and in time for final site inspection of Accreditation Agency.
—All elements completed on time and in time for graduation of first doctoral class.

SERVICES PROVIDED
—Strategic Planning
—Site Selection
—Design-Build Analysis
—Financial Analysis
—Subjective Analysis
—Negotiation
—Oversight – Construction and Change Orders
—Acquisition of Laboratory Equipment
and distribution. They were also functionally obsolete. Why not convert them to a university campus? A meeting with the landlord to suggest this possibility led to the discovery that the landlord was already thinking outside the conventional use of that space. Although he had never thought specifically of a university campus, he had thought about conversion to “loft style” office space. The buildings were not on a well-traveled street, but they were easy to access—sitting atop a high bluff offering exquisite views of the city.

Each warehouses was 200 feet wide and 500 feet long. They were used consistently for storage and distribution, and they were approximately 15 to 20 years old. The reuse involved considerable refitting, re-engineering, and attention to structural concerns, as well as consideration of the cosmetic enhancements necessary to create a professional, scientific environment.

Narrowing the Field

With 31 sites to consider, the first phase of the discovery was to meet individually with each developer to discuss the project and to be sure his or her site could comply. Once it was determined that the final site would comply with the college’s needs, the college’s president, Dr. Rosenberg, and my team toured all 31 sites and we selected the top 10.

I evaluated all 10 sites based upon general conditions: strength of the developer, willingness to work with our structure, location, comparison of the project that the developer was planning, and the availability of a purchase option for the building(s).

Through my relationship with the Board of Trustees of the college, and as liaison to the Executive Committee, I was able to keep everyone informed through regular reports. After review of the evaluation above, I organized a second and more thorough tour with all of the Executive Committee attending. I rented a limousine for this occasion and it was well worth it. It was an enjoyable and informative tour. From that tour, we selected the top five, together with our existing premises, for a total of six. Our current location was a building of 57,000 square feet, with additional buildings planned for the site. It was important to consider staying in the current location as one of the options.

I then met individually with each of the six prospects and we discussed in great detail the program and timing of the college, allowing each one an opportunity to make its best proposal. The proposals were personally presented to the Executive Committee, giving each member an opportunity to meet the developers and to ask questions. The proposals followed a uniform format that I provided, so that a true comparison could be achieved.

Keep in mind that all of the properties could perform and all of the properties met our most important criteria, so selection of the best for our needs was now based upon more definitive factors.

The finale of the proposal process was to select two properties: a first choice, and a back up. The Harsch Warehouses were selected as the first choice. First choice was based on:

- Price.
- A firm completion schedule on existing buildings that was realistic.
- A firm economic bid to which the developer could adhere.
- An “adaptive reuse” warehouse conversion that was very appealing in its design and flexibility.
- Comfort with the developer’s professionalism and competence.

The developer had gone way above and beyond in his expenditure of resources to provide exterior drawings and space plans “as needed.” This left us with a significant comfort level of his ability to understand our project and to perform. It also indicated significant desire on his part to have us as tenants.

It was more difficult for developers with “planned” projects to provide the same level of comfort with regard to pricing and timing.

Implementation of a Dual, Simultaneous Design Build

By the time the warehouse conversion project had been selected by the college, most of the design work and cost analyses to convert the shell had been completed. In fact, much of the initial structure enhancement had been done as well.

A construction oversight manager, separate and apart from the owner and general contractor, was employed to make weekly inspections and to review change orders and costs. In addition, the college employed a professional design team to coordinate its existing furniture and equipment with all of the new FF&E that would be necessary in this state-of-the-art facility.

In order to manage the process in an organized way, we broke the interior into separate parts; i.e., the classrooms and student areas; the faculty and staff offices; the laboratories; the library and Drug Information Center; and Information Technology. Lead persons were estab-
lished for each group to fine-tune the space plan. Once this was accomplished, an internal “committee” was established to make design, color, and purchasing decisions, as well as to approve change orders throughout the design-build process. The process was overseen every step of the way. This oversight resulted in significant cost savings for the client. We also coordinated monthly Team Meetings to maintain accountability.

In addition, I knew that a highly sophisticated chemistry laboratory, owned by a separate and independent landlord, was to be demolished to make way for reuse of the building. We were able to negotiate the removal of an extensive amount of laboratory equipment, single purpose cabinets, and counter tops as a donation to the non-profit college. We arranged and analyzed bids for the removal, the MP & E required for the removal and reinstallation, and for the transport of the items to the new college. Marketplace knowledge resulted in a savings of tens of thousands of dollars for the college.

Adaptive Reuse Makes its Mark
Since adaptive reuse is new to the Las Vegas marketplace, I am pleased that our project was the first. We reviewed each and every opportunity that could have met our criteria, and we collectively made the best decision. The “controlled process” evolved into an organized approach to problem solving that works every time. This was a unique opportunity to “spread” many unique problems into the matrix and find a way to address them all.

Steps for Success
Recognize the issues—be sure you validate each one with your client. Be sure you understand your client’s priorities—they may not be what you think!

Be totally objective and research every possibility, even if you think you know “what’s best.”

Explain the process up front so that your client will understand what you are doing and why, so that he or she will be confident that you will not overlook anything. Encourage your client not to change the process. Keep them moving along in an organized way. Each and every one of your client’s questions, concerns, and goals can be addressed without moving haphazardly.

As you move through the process, report and explain each step and ask for approval. Do not take the next step if there are still issues remaining.

Most important: know your market. Take the time necessary to do the research and validate your information. Do not take anything for granted.

If you have a good idea, do not be afraid to pursue it! Working with the college in their site selection process was an exciting prospect from the first conversation—and after very thorough scrutiny, the first option investigated for the new college site proved to be to the best alternative.