

To Move or Not to Move?

Association Forum's journey to its revamped office space

By **Gregg F. Witt, SIOR**



Associations that lease their office space face a major decision every five or 10 years. As leases set to expire, leadership must determine what to do about it. Do we stay or go? How much space does the organization need today and for the next 10 years? How does a relocation or renewal get funded? What advisors are needed to navigate this complex issue?

Association Forum recently faced the expiration of its 11-year lease at 10 S. Riverside Plaza in Chicago. This is the story of how Forum accomplished the long-term renewal of its lease and completed a major renovation of its existing headquarters, delivering an improved environment for members and staff.

Association Forum recently faced the expiration of its 11-year lease at 10 S. Riverside Plaza in Chicago. This is the story of how Forum accomplished the long-term renewal of its lease and completed a major renovation of its existing headquarters, delivering an improved environment for members and staff.



The old entrance (top) and the revamped entrance

Establishing Space Criteria

Back in 2006, when Association Forum's lease was signed, the business world operated in a somewhat different model. Baby Boomers led many organizations. Most Millennials were not yet a part of the workforce. It was common practice for an association's space to have more privacy with a traditional perimeter office model and high-wall cubicles. Technology was less advanced. Wi-Fi was not standard, and few workers had laptop computers. Demand for office space in downtown Chicago was

weak, and rental rates were much lower than they are today.

In the spring of 2015, Association Forum began to review its office lease that was due to expire in April 2017. Michelle Mason, Association Forum's president and CEO, formed a Real Estate Task Force, composed of several Forum board members, to assist in this endeavor. Together they identified commercial real estate firms active in the Chicago market that would receive a request for proposal for brokerage services to advise Forum on this decision. The RFP was sent out to six brokers, and, ultimately, three were selected for interviews by Mason and the Real Estate Task Force. CBRE was hired, and Gregg Witt, senior vice president of CBRE, was engaged by the committee to represent Forum on the assignment.

A kickoff meeting between Mason, Forum staff and the CBRE team started the process. A discussion took place about organizational issues and how space might support these and complement business goals and objectives. Concerns were identified, financial and geographic parameters were defined, and the leasing process was articulated so that all stakeholders knew what to expect. Mason outlined her vision, and it became apparent from the start that the current offices did not reflect where associations were headed. She wanted Forum to be forward-thinking with its new space to reflect changes in the industry and to encourage use of the space by Forum's members.

"The expiration of our lease presented an opportunity," Mason says. "It was the perfect time to identify what we wanted, what was working and what needed improvement, and where we could get creative."

Forum's space was dated and reflected a different era. The space was not welcoming to members. There were limited areas that members could utilize when visiting Forum's office. It had too many large private offices, which limited natural light to interior portions of the space where many staff members sat. The cubicles had very high panels, which isolated staff from one another, and there were large areas of the space that were underutilized. If Forum decided to stay, much would need to change.

"In light of Forum's 100th anniversary, GREC worked with Mason to envision a new aesthetic for the office alongside the rebranding of the organization: The vision was to be bold, bright and fresh."

Assembling the Team

As in most projects of this type, the core brokerage team enlists additional resources to support the effort. The first resource added was project management expertise. The project manager is an important person in the evaluation of office space. This person manages both the schedule and budget and serves as the owner's representative with contractors, other vendors and the building. Daniel Heckman of CBRE was selected for this role, and he partnered with Witt to inform Mason and her team about the anticipated costs and schedule implications associated with the project. These included rental rates and concessions and the expenses incurred for construction, consultants, furniture and technology that Forum might expect to experience, whether it renewed its lease or relocated to a new building.

The next resource that was added to the team was the project architect. CBRE identified five architectural and design firms from which to solicit proposals on Forum's behalf. Proposals were received, and costs, team experience and services offered were compared, resulting in the identification of three architects to be interviewed by Forum and CBRE. GREC Architects was chosen, with Michael Berger, director of interiors, as the lead for the GREC team.

The architect team's first task was to meet with Mason, her team and CBRE to understand the organization's business priorities and space requirements. The result of this meeting was a space program—a document that identifies the space needs of the organization today and into the future. The program allows the brokers to find buildings and spaces for further consideration. It was determined that Forum might need around 9,000 square feet to meet its requirements. And it became clear that Forum wanted to grow and improve the open office environment in its new space.

GREC focused its attention to assure that functionality needs would be met through the introduction of meeting rooms, phone rooms and huddle areas. And, according to Berger, "Careful consideration was given so that the design would not result in the compromise of the office or workplace function."

Initiating the Process

Geographic and budgetary parameters were provided by Mason, and the brokerage team used this information to identify buildings that offered the appropriate-sized space that met these criteria. Forum has benefited for many years from a location in the West Loop near Chicago's two major train stations and convenient to parking. More than 40 percent of Forum's members work in the suburbs, so location was an important consideration in building selection. The Chicago office market had strengthened since Forum last signed a lease, and rental rates in similar-quality buildings had risen significantly in that time.

Forum was presented with a long list of potential relocation alternatives as well as solutions at its current building at 10 S. Riverside Plaza. From this list, Forum identified nine properties for site visits.



Before (top) and after



Digital Extra

To view more photos of Association Forum's recently debuted, enhanced office space, visit the digital or mobile versions of *FORUM*.



Following two days of tours, four options were identified for further consideration. This included two outside alternatives, a remodel of the existing space and another space in the current building.

CBRE initiated the next phase of the process by soliciting leasing proposals from the different landlords. These proposals identify the real estate costs of each property, the concessions the landlord

might provide and other important business terms, including options to renew, grow and terminate, as well as other lease issues.

At the same time GREC started the architectural process by developing "test fits" for the buildings that best met Forum's

needs. A test fit is an initial architectural exercise that creates a space plan to confirm that the tenant's space requirements will fit and departmental needs and adjacencies are met. Upon receipt of landlord proposals and completed test fits, the project manager then begins developing preliminary project budgets.

With all of these elements, CBRE then created financial models that informed Forum of the projected costs of each alternative. The models evaluate occupancy costs for these buildings on both a nominal and net present value basis, annual cash flow, lease concessions and Forum's anticipated out-of-pocket exposure.

The project team then met with Forum to review the test fits, evaluate the leasing proposals and understand the financial implications of the project budget. This step was important in the process for a couple reasons:

- It quickly sorted out which spaces worked or did not work from a spatial perspective. For example, one of the outside buildings was eliminated as the architect was unable to find a suitable way to house Forum's conference center due to the floor shape and column spacing.
- Leasing proposals identified the rental costs and the impact higher market rental costs would have on Forum's operating budget.

At this time, it was determined that Forum would benefit from engaging a general contractor on the project team. Bringing in a general contractor at an early stage of the project provides an important perspective to manage costs and get realistic budgets prior to finalizing building selection. Understanding whether the construction is affordable before the architect's design is finalized saves time, money and effort later. Contractors were identified, and RFPs were sent to three companies. Since a building had yet to be identified and construction drawings were not yet completed, the bids were based on identifying the contractor's overhead, profit and general condition costs for managing the process on an open-book basis. Executive Construction Inc. (ECI) was selected to serve as Forum's general contractor.

ECI worked with CBRE to refine and develop preliminary costs associated with GREC's test fits. The budget exercise identified the out-of-pocket exposure Forum would experience for each option. It also became clear that some of the features that Mason and her team desired to have in the new space might not be achievable due to budget considerations.

After this informative meeting, the test fits were refined for one outside alternative and for staying within the existing footprint at 10 S. Riverside. GREC made refinements to the test fits, and the cost to construct and occupy each option was estimated. CBRE prepared and delivered counter offers to both landlords. Once the test fits were completed, new budgets were prepared. Upon receipt of the landlords' responses, CBRE updated the financial models, and the project team met with Mason to review the revised test fits and financial models. This meeting provided a clearer understanding to Forum on overall costs to move forward with each option.

Along the way, progress reports were provided first to the Real Estate Task Force and later to Forum's Board of Directors. These meetings were informative in nature and identified to these stakeholders the direction the process was taking, alert-

"Walking into the revamped space for the first time with staff was such an exciting moment. There was a collective gasp. It is just such a transformation. We can't wait to welcome our members into the new space—it truly creates the welcoming environment that Forum is working so hard to manifest."

ing them to the implications a decision will have and the impact the project might have on Forum's operating budget and cash requirements. Both groups were supportive of what was occurring.

Negotiations Commence

The next move in the process was to step up negotiation with both options. Each landlord improved the business terms in their counter offer, resulting in Forum receiving additional free rent and tenant improvement allowance, which offset more of the out-of-pocket costs. Value engineering by CBRE and GREC also decreased construction costs, bringing cost in line with estimates provided to Forum's Board of Directors.

Shortly after this meeting, it was learned that the outside alternative that was under consideration was being leased by another tenant and was no longer available to Forum. This resulted in a serious push to complete negotiations with Forum's landlord to remain on the eighth floor at 10 S. Riverside.

One of the complications of remaining in the existing space was that a major remodeling needed to occur. CBRE now had to negotiate the use of temporary or swing space, which Forum's staff could occupy during the four-month construction period. As it turned out, a large block of space was available on the floor below Forum. Although not perfectly configured for Forum's staff, it was determined to be a workable short-term solution. As part of the negotiations, CBRE made it possible for Forum to occupy the swing space at no cost during construction. The landlord also waived the collection of rent for Forum's eighth floor space while it occupied the swing space. These two cost savings events provided a huge dividend to Forum. Funds that had once been earmarked for rent were now available to support creating the new Forum space on the eighth floor.

Business terms were finalized, and a report was provided to both the Real Estate Task Force and the Board of Directors. At these meetings the final project and rental costs were presented. Approval was granted, which allowed Forum to use its own capital to supplement the allowance provided by

the landlord to develop the space design created by GREC.

Beginning the Build-Out

Upon board approval, a lease amendment was quickly executed. At this point the architects took over. Mason had described her vision for Forum's space, and now it was time for GREC to start the design process. Over the project course, GREC provided the team knowledge of what walls were coming down and what the demised footprint would look like. GREC was now tasked with advancing schematic design and design development. This is the architectural piece that adds color, dimension and furnishing to the floor plan to create an inviting environment for Forum's staff and members.

Liz Potokar, GREC senior designer, says that in light of Forum's 100th anniversary, GREC worked with Mason to envision a new aesthetic for the office alongside the rebranding of the organization: "The vision was to be bold, bright and fresh." GREC developed a modern neutral palette paired with warm wood tones and accented with a bold ceiling color that would completely transform the old space into a renewed, welcoming environment, facilitating creativity among staff and members alike. Forum's new brand would be expressed not only in color but through the openness and collaboration spaces created by the interior architecture.

Once the design was locked, GREC began construction drawings. These are the final architectural drawings that include all the details the contractor needs to build the space and begin the permitting process through the city to ensure that the design and build-out will meet code. Once the drawings were submitted, ECI started a deeper review of costs and developed a detailed construction budget called a Guaranteed Maximum Price. This is a form of proposal that is supplemented into a general contractor's contract, which provides a final detailed

One of two remote workspaces for member use





The conference rooms before (top) and after



breakdown of pricing by trade that the contractor is not to exceed during the course of the project.

There are two sources of funds for the buildout: the landlord tenant improvement allowance negotiated in the lease by CBRE and the tenant's provided funds. ECI's budget now deter-

mined that the costs exceeded the funds that Forum's Board of Directors approved for the project. Therefore, several items that GREC had designed were priced as alternatives. As these items were priced, Mason

was able to prioritize those that were important to include or might be added at some time after Forum reoccupied the space.

Also, the budget carried a project contingency—a percentage of the total costs that would be available in case of unanticipated costs as construction was underway. During weekly construction meetings, ECI would report how the construction was proceeding and whether contingencies funds might be released to fund some of the alternative items. This did occur, and the new space includes features that enhanced the final product.

Forum relocated from its offices into the swing space during the last week of August 2016. Construction began after the Labor Day holiday and was finished in early December. The new offices opened for business on December 19.

"Walking into the revamped space for the first time with staff was such an exciting moment," Mason says. "There was a collective gasp. It is just such a transformation. We can't wait to welcome our members into the new space—it truly creates the welcoming environment that Forum is working so hard to manifest." 

Gregg F. Witt, SIOR, is senior vice president of CBRE, Inc. He can be reached at gregg.witt@cbre.com.

Project Team

Real Estate Broker
Gregg F. Witt, SIOR
Senior Vice President
CBRE, Inc.
312.543.4109
gregg.witt@cbre.com

Architect
Michael Berger
Director of Interiors
GREC Architects
312.768.6247
berger@grecstudios.com

General Contractor
Mark Rakoczy
Project Executive
Executive Construction, Inc.
708.236.3360
mrakoczy@ecibuild.com

Project Manager
Daniel Heckman
Project Manager
CBRE, Inc.
312.297.7688
daniel.heckman@cbre.com

Designer
Liz Potokar
Senior Designer
GREC Architects
312.768.6227
potokar@grecstudios.com



GET A DIFFERENT TASTE

BREAKOUT SESSIONS HERE INCLUDE
BREAKING OUT THE BOURBON.



Meet in a place where the uncommon is very common.

A place where being Southern means something different. Visit TransformationLouisville.com.

"Best Places to Travel" - *Travel + Leisure*



#LouisvilleLove