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Old Buildings, *New Uses*

Repurposing is bringing new life—and new tenants—to vacant commercial properties around town.

By Brent Wilder

Central Ohio's commercial real estate landscape is filled with examples of successful repurposing projects: grocery stores that have been reconfigured to accommodate fitness clubs or strip centers, a cosmetology school housed in a former car dealership—even a popular nightclub in an old Baptist church. Local developers are growing hip to the repurposing trend, where underutilized or vacant buildings are re-imagined and re-designed for very different uses than they were originally intended.

Repurposing can present a sensible investment for a property owner who's willing to look beyond a building's current configuration and envision what it *could* be, post-makeover. Once repurposed, a building's new use and new tenants can breathe life—and revenue—into a commercial property that might otherwise have sunk into blight.



The Bar of Modern Art—a nightclub, art gallery and restaurant—puts a unique twist on a 19th-century church.

FILE/TIM JOHNSON



A large showroom floor and adequate parking made this former car dealership an ideal site for the Ohio Academy, a cosmetology school.

Though repurposing commercial real estate is indeed a growing trend, its popularity has by no means peaked. In Columbus, the majority of new commercial tenants are still opting for sites located in the hot markets on the city's outskirts, such as Dublin and other areas beyond Interstate 270. Until more property owners and developers jump on the repurposing bandwagon, the experts say, Columbus's inner quadrants will continue to be littered with aging, obsolete big-box stores (of the Kmart or Big Bear variety) and office towers that haven't been fully leased in years.

Multi-Tenant Repurposing

Kevin James, vice president of retail investment services with commercial real estate firm Colliers Turley Martin Tucker's Columbus office, says that because of virtually unlimited development space beyond the outerbelt, the market inside of I-270 is constantly seeking new applications for older inventory that's often ignored by national and regional tenants.

"It's almost a secondary niche for a lot of developers and for retailers," James says. "The primary focus in a market like Columbus is always to continue to expand out."

That outward expansion makes it difficult to sell pre-existing, high-volume spaces to a single tenant, says James, who repre-

sents two vacant former Big Bear grocery stores located in Westerville and Hilliard, plus a third in Lincoln Village that has been leased to Giant Eagle. Prospective tenants, he says, typically want a much shallower space than 200-foot-deep big-box stores provide.

After Colliers successfully placed grocery store tenants in a few of the former Big Bears, James says the firm's strategy shifted to seek out fitness centers or "mid-box" tenants, such as Best Buy or World Market, for the remaining spaces.

The issue, of course, is that not everyone wants—or needs—half an old grocery store. "The owner has to come to that realization that they may have to spend \$20 to \$30 per square foot to split the space," James says. "It becomes very expensive, but very necessary, to get it re-tenanted. From the landlords that we represent, it's becoming more common, and they are looking at it more as a use that can stay in business and be successful." If an owner decides to sell and cut his losses, the next owner can invest at a lower starting cost to complete the repurposing process, James says.

Jeffrey Katz, managing member of Columbus's Golden Property Management, says he has relied on location to generate a return on his investments in repurposed developments. Katz's business model—to

identify, purchase and redevelop "nonfunctioning" properties—has resulted in two office and light industrial conversions at Leonard and Brentnell avenues and the reuse of a former Kmart at 3463 S. High St. Katz says he purchased the Kmart property in May 2005 for \$1.4 million, and has invested \$2.5 million while keeping the previous owner involved as an equity stakeholder.

Before embarking on the repurposing, Katz talked with some prospective tenants, but those options were ruled out for financial reasons. "We started talking to some of the big boxes that were looking at it, and it didn't make any sense from a return standpoint," Katz says. "It would have made more sense just to knock the building down.

"Probably nine out of 10 people that were looking at it would have torn down the building," he says. Instead, SouthPointe on High (a development entity formed specifically for this project) gutted about 24,000 square feet of the building, including its former lawn and garden area, and turned it into an eight-tenant strip center.

"It all comes down to economics," says Katz, noting that the center has attracted national tenants such as a Chase bank branch, Revol Wireless and Aaron Rents. By utilizing the existing building and repurposing it to allow multiple tenants, "We're getting pretty good numbers on our square-foot rental rates," he says. The center is

generating lease revenue of more than \$20 per square foot.

Adjacent to the strip center is the bulk of the original Kmart store—a 70,000-square-foot footprint. The only significant change there was removing asbestos in the floor tile and replacing the roof, Katz says. It opened for business in May as SouthPointe Marketplace, an antiques and flea market center.

Unusual Configurations

It was an attractive facade on an old car dealership that caught the attention of NeCole and Orlando Cumberlander, co-owners of the Ohio Academy, a Paul Mitchell-affiliated cosmetology school. While searching for the perfect location for their third Ohio Academy, the couple was lured in by the curb appeal of a former Pay Days car dealership at 3000 Morse Road.

“Car dealerships are usually very unique and pretty artistic in design,” says NeCole Cumberlander. “This was just icing on the cake that the facade of the building looked so good.”

They purchased the building through Skyland Holdings for \$1.45 million in July 2005. “If you’re an owner-user, you can typ-

ically get financing with as little as 10 percent down,” James says, which can make an already good deal on a building targeted for repurposing even more attractive.

This wasn’t the first renovation project the Cumberlanders have been through. They’ve opened two other schools in Ohio, one in an old CVS pharmacy in Twinsburg and another in a former cosmetology school that required renovations in Steubenville.

The Pay Days dealership’s adequate parking and large showroom made for a fairly easy conversion into an educational center. But converting the back end of the building from a service garage to classroom space presented a bigger challenge. “We had to close the garage doors to match the existing block of the building. It didn’t match up so well, so we then had to go and have the building painted,” says Orlando Cumberlander. “And in the process of blocking in those bay doors, we had windows placed in all the classrooms and all the offices.”

NeCole Cumberlander says the primary frustration they encountered while having the building repurposed was the requirement that they utilize fire-rated construction materials, which didn’t pass inspection the first time and created unexpected costs. They ended up trimming expenses in other areas, such as materials and finishes, to stay within their budget. (They declined to talk about project costs.)

Repurposing does more than utilize excess commercial real estate inventory; it also can preserve architectural gems. Just ask Columbus attorney Bret Adams, a managing member with 583 E. Broad St. Partners, the investment group responsible for turning a 19th-century church into the Bar of Modern Art (BoMA).

Adams says he hopes the \$5 million conversion of the former First Baptist Church—which he and three others bought for nearly \$1 million in August 2005—into a nightclub, restaurant and art gallery will drive further repurposing in the neighborhood. “I know this sounds cliché, but it’s absolutely the truth: I’ve never been more proud of a project like this, because this church can be the anchor for the redevelopment of the Discovery District,” Adams says.

Adams (who was a partner in a finalist bid to convert the old Ohio Deaf School into condominiums) acknowledges that repurposing projects don’t carry the same percentage of profit as new development. Still, there’s money to be made.

“We have to do it with the profit mode in mind or we can’t continue to do it,” he says. “I think there’s a great niche for that kind of development if developers are willing to take that risk. This is a fantastic way to save

a building like the church that otherwise would be demolished.”

Halfway through the BoMA project, the developers had to invest more into renovating the church than they’d originally planned. But that appears to have been money well spent: BoMA entered the black just six months after opening, Adams says.

Repurposing Candidates

Not all buildings have the potential to be repurposed. “If you have an older building that has lots of bearing walls [and] fire separation walls, it really limits your ability to release to new uses,” says Jim Harkin, a principal with Columbus’s LuskHarkin Architects and Planners.

Harkin says the best candidates for repurposing are simple steel structures with open floor space. Superficial looks, he says, don’t matter too much: “As far as we’re concerned, the uglier the better. We can apply any architecture that we want to the exterior. The interior is paramount.”

Katz says the key things he looks for in repurposing candidates are “great bones and location, with good floors, a workable roof, road access and no graffiti. A lot of these industrial properties are often located in some tougher areas. . . . If I see graffiti all over it, that tells me that you’ve got some potential safety issues for future tenants and customers.”

Other issues to watch for include aging mechanical systems (which often must be replaced) and parking. Most older sites need to be updated to meet current landscaping code requirements such as islands, trees and handicapped set-asides—

something that can eat up valuable parking spots.

Despite the challenges, repurposing continues to grow. “The two different types of reuse that we see happening in Columbus [are] repositioning older retail to a newer type of retail or a completely different use,” Harkin says, “and, Downtown, converting

existing office stock or warehouse stock to housing.”

Harkin says his firm is currently helping to repurpose a couple of big-box stores into urgent-care facilities, and is working with Chris Corso, the owner of Sugar and Spice nightclubs, to convert an office-warehouse space into a new bar and restaurant development.

Robert Click, senior managing director of the Columbus office of CB Richard Ellis, says repurposing Class C Downtown office buildings for residential use can be a smart financial decision, especially when an owner isn’t collecting enough in rent to fund upgrades that are necessary to attract new tenants.

“When a building has to do deals that aren’t providing a return just to stay occupied, there’s a better use for that building,” Click says. His office has tracked 12 office conversion projects Downtown since the repurposing trend began at the turn of the decade. “Any Downtown building that has significant vacancy would certainly be a candidate for conversion,” he says.

Click says office towers drive the Central Ohio repurposing market, simply because of the amount of square footage that’s being converted. “Generally, in repurposing a building there is a savings without question,” he says. “But you have to be able to accommodate enough units to get some kind of efficiencies of repetition, some kind of efficiencies of scale. You can’t convert a small building and spend your time, effort and energy putting six units into it.”

And in the commercial real estate arena, timing is everything. Sometimes, it’s better to wait for the *right* tenant than to sign the first one that comes along—even if it does mean turning down rent money.

In that regard, Harkin says that owners of unused and under-used buildings may be savvier than some may think: “Sophisticated developers that own these . . . they’re not holding out for some new box or magical retail tenant, because they know they’re not going to get it,” he says. “The sophisticated developers can certainly fill these centers with tenants, but the type and quality of tenant is probably not in their business plan. And they have the wherewithal to wait, and not just fill it just to fill it. They’re simply waiting for a new market to emerge and fill it.”

Katz says the key to a successful repurposing project—at least from a developer’s perspective—is a willingness to wait. “Until a seller accepts the true value of a property, I won’t buy it—I can’t buy it,” he says. “An owner can sit on it for years, and sometimes you have to wait for someone to sit on it until someone understands it’s not the jewel that they think it is.” ♦

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