



RICS

the mark of
property
professionalism
worldwide

Americas

Adaptive Property Re-use

Danny Kaye MRICS, CCM, PMP – Totum, Santa Monica, California

In an economic downturn, asset owners must evaluate ALL potential uses for the property under their ownership and management. Simply putting a property on the market in its existing use may not be sufficient to capture economic value of the property. One growing alternative, where many quantity surveyors are able to add real value for owners in their property management decisions, is the concept called “adaptive re-use” of property. RICS Member Danny Kaye of Totum discusses the adaptive re-use concept:

What is Adaptive Re-use?

For the purposes of this article, it is the utilization of an existing structure for a different purpose, i.e. adapting something for a new use.

An example of adaptive re-use, might be converting an old warehouse or factory into residential lofts or into offices or community centers. Or, in another example, an old hotel or hospital may be converted into condominiums or apartments. The list goes on and is limited only by imagination...and owner resources.

In some cases, the client already owns the property that is to be adapted. However, in other cases, clients are looking to purchase a property, which requires an alternate approach.

Choosing a Property to Re-use

Adaptive re-use is not a panacea for a cheap or quick construction. Not all facilities can be re-used in a way suitable for its purposes, whether due to existing size, zoning or code restrictions, condition of property and infrastructure, costs to adapt, timing to go through the government permits for the “re-use” process, location, adjacent properties, parking requirements, architectural or programming requirements, etc.

Some Totum clients have taken more than seven months and the review of six potential projects before finally procuring the “right” property. At the same time, the analysis of potential projects must be completed quickly. During the initial stages, when an adaptive re-use feasibility report is completed for a property before it is purchased, multiple offers from competing buyers can mean a potential property is lost to another buyer. This feasibility report is so critical that project investors should retain a qualified quantity surveying professional, who is familiar with the evaluation process and who can consider legal and programming requirements immediately in the context of the transaction.

The benefits of Property Re-use

Let’s assume you find your clients a well-suited property that seems to meet their criteria and your consultant team has shown you that zoning allows it to be re-used. You’ve sketched some modifications and plans have been blessed. What are the benefits? Treating this as a remodel or renovation may allow a faster permitting process with the city and planning department and potentially a “grand-fathering” of existing conditions. In fact, some municipalities may be pleased that a potential developer or other party wishes to work with an existing property.

Depending on the location there may even be beneficial loans or tax breaks from other agencies. With the right structure, by potentially avoiding site work, foundations, exterior walls, roofing and other existing equipment and infrastructure, the construction would most likely be faster and the costs lower by default. This is also certainly a “greener” way to develop as existing materials demolished are likely to be salvaged. This avoids a completely demolished structure or new structure in a “green field” site, whether you look at this from a LEED perspective or just common sense.

The Risks of Property Re-use

With benefits, however, come risks. Care must be taken to verify that the change of use will not drive structural and other upgrades and make it more costly than expected and as planned in the pro forma. The early studies may show that the structure is not suitable or that an adaptive re-use is not allowed by right (depending on the “zoning” or allowed use of that property parcel). There may be issues with meeting legal requirements for that location and doing so would be cost-prohibitive or would impact the structure so greatly that it becomes non-viable.

In California, the California Building Code 2007 edition (which became effective on January 1, 2008) CBC 2007 Section 3406.4 states: “When a change of occupancy results in a structure being reclassified to a higher occupancy category, the structure shall conform to seismic requirements for a new structure.” Therefore, if there is “no change of use” planned for the building, no mandatory code upgrade will be required – but if there is a re-use, the code must be seriously studied and the structure assessed immediately. Other known pitfalls include hazardous materials and foundations/soil conditions. After all, California is earthquake country!

Adaptive Re-Use in Practice

If a client approaches you to assist with their search, how do you proceed?

Much depends on who is driving the request for a feasibility study and the stage reached by the client. If the client is considering an existing structure they already own or are planning to buy, a preliminary study should be carried out. In Totum’s case, Danny Kaye (Project Construction Manager) and partner Giulio Zavolta (Designer) will assemble a team that includes mechanical, electrical, plumbing and structural engineers. Initially, the client will brief us on the selected property. The client is likely to be using a commercial realtor to identify and negotiate the purchase and it is common for a construction manager and a designer to be utilized concurrently in order to be confident that they are looking in the right direction.

Current use and desired use (or potentially just a recommendation on alternative uses) will be considered and, where possible, “as built” plans of the original structure will be obtained. At that time, the consultative team will visit the site and assess the condition of all appropriate elements and how they meet the current code. The team would also examine how the property could be adapted for the intended purpose. The potential of the current shell and core and infrastructure (mechanical, electrical and plumbing, equipment) would be assessed to see if they can be utilized, modified or replaced for the existing facility to be adapted for another use. Depending on the size and complexity of the property, this may take 4 to 8 or more hours.

In some cases, the client would then report our findings to an architectural firm to assist their re-use strategy.

It is important that any building engineers or maintenance staff attend and advise on the building systems, repair history and other valuable pieces of information – such as leaks and latent issues.

There are limitations to the preliminary assessment. The report must include caveats that the preliminary study and the professional opinions generated are based on field observations to the extent that existing conditions are readily accessible to the consultant team. Also, it must include a statement that the team conducted a limited site visit to observe the existing conditions – if that was all that was done – and that no engineering analysis was performed to determine the structural or MEP capacity of existing equipment. The client should be offered a more detailed review if the property is deemed feasible. The initial report should also state that the buildings or site have not been checked, tested or assessed for hazardous materials beyond those mentioned in the report (if any). Nor have code, planning or entitlement issues been addressed.

The report should have clear sections. They should include an introduction, overview and general discussion on architectural, space planning, code zoning, structural (foundations, walls, ceiling and roof), mechanical, electrical and plumbing (units, ducts, zones, capacity, heaters, electrical service, gear, panels, loads, demands, likely new demand). Roofing, waterproofing and heating should be addressed with specialist consultants.

Finally, the report should have recommendations for re-use – if deemed feasible – and provide a general outline of what needs to be done, including modifications, replacement or leaving certain elements, and infrastructure in their existing form.

The end result of this formal, structured process will be a stronger and more complete analysis by the client in their adaptive re-use decision. This can be a very rewarding book of business for construction management and quantity surveying firms, both financially and in terms of “public good,” supporting effective new uses of obsolete or redundant properties. In addition, it can lead to project management work subsequent to the evaluation stage, both in project and construction management. However, adaptive re-use analysis is a specific expertise with significant value to clients, and should not be viewed simply as a means of prospecting for other business.

Danny Kaye MRICS
Construction Management Principal
Totum Consulting

danny@totumconsulting.com