

Decision to Build or Lease

Three experts share how their organizations were moved to build their future.

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Whether your organization is coming up on a real estate milestone—such as a lease expiration or an option to terminate a lease—or is investigating alternative work environments, aligning business operations with real estate needs is imperative for achieving business goals. Here, learn from three Chicagoland association executives about why their organizations recently made strategic decisions to build or occupy a new office, and gain tips for making your next office space transition an effective one.

FORUM: What were the driving factors pushing you to make a change in your organization's workplace environment?

Markowski: A few years ago, the board of the American College of Chest Physicians (CHEST) began analyzing whether the organization's longtime headquarters could continue to serve its changing needs for advanced education, especially technology-infused simulations. It decided the 30,000-square-foot facility it owned in Northbrook, Ill., where it had been located for 24 years, would not allow CHEST to create the most robust, realistic education environments needed.

So, in 2011, CHEST decided to move to a "built-to-suit," 48,500-square-foot headquarters in Glenview, Ill. Construction began in 2012, and was completed in February of 2014. The building includes an office wing and the association's Innovation, Simulation and Training Center—a 15,000-square-foot state-of-the-art education facility for delivering clinical education in pulmonary, critical

care and sleep medicine.

Delivering innovative education in chest medicine is a key component of both CHEST's vision and mission statements, and this drove the organization's decision to design and build its own facility. Owning a training center—built to meet CHEST's needs now and into the future—allows CHEST to offer the range of education events chest physicians want and need to keep their skills and knowledge current. The training center houses simulation training labs that allow CHEST to offer hands-on courses using live models, simulation mannequins or cadavers.

CHEST's state-of-the-art equipment and technology puts the organization in control of the experience and allows staff to uphold CHEST's high standards for education delivery. Owning the building also helps CHEST stabilize and minimize expenses associated with education events. The organization can easily predict the costs of all types of events hosted, and it no longer incurs costs for holding courses in outside facilities.

Blake: The American Society for Gastrointestinal Endoscopy moved from renting a facility in Oak Brook to building a \$21 million, 42,000-square-foot global training center, the ASGE Institute for Training and Technology (IT&T), that also serves as the organization's international headquarters in Downers Grove, Ill., in June of 2013. The facility also is available for rentals and the medical community is using the conference center and bioskills lab for a variety of medical training programs. The development of the IT&T directly supports ASGE's goal to be leaders in the endoscopic community.

The conversation began in 2006 with the recognition that the existing hands-on training facility was not sufficient to serve the membership into the future and would not contribute to advancing the mission of ASGE. The board's solution to this problem was to buy property and construct its own building. The staff researched, evaluated, created projections and developed several iterations of business plans to understand the challenges and opportunities of

this undertaking. ASGE secured funding in 2012, broke ground for the building in April 2012 and moved into the new IT&T in June 2013.

Kramer: When Association Management Center needed to increase the office space, it discussed the options of owning, leasing and building. The organization had already reconfigured its current workspace a few times and knew it was time to find a larger space. The time and cost it would take to build new offices quickly ruled out that option. AMC remained open to either owning or leasing, but found itself leaning toward leasing because it felt that offered more flexibility and more locations from which to choose.

So, in August 2013, AMC moved from its own building in Glenview, Ill. to leasing a nearly 50,000-square-foot

office in Chicago, just 10 minutes from O'Hare International Airport. This new location reflects AMC's culture and provides more space for the continued growth and anticipated needs of its client partners. Through careful planning and negotiations, the new space price-per-square-foot cost is comparable to its previous location that it owned in Glenview.

FORUM: To what extent have the results you've experienced to date matched up with your expectations? If there have been surprises, what were they?

Markowski: Results have met expectations. CHEST has held education courses and board meetings in the training center, welcoming more than 1,000 attendees and guests to the building in

just the first few months of operation. Due to the design and flexibility of the space, CHEST has been able to expand the variety of formats it offers for meetings and education sessions—an outcome it planned for. All events have gone as expected, running very smoothly, and CHEST has received positive feedback.

One surprising result has been the extent to which attendees and guests enjoy coming to the building. They prefer CHEST's training center to the typical environment of a hotel meeting room or convention center, appreciating the natural lighting and open spaces. The open spaces have proven to be conducive to networking with colleagues and faculty experts, and attendees are taking full advantage of that. Attendees are energized while in the training center and transfer that energy to create a positive learning experience.



The office wing, also designed to have natural lighting and open spaces, has had the expected result of encouraging more collaborating. Staff finds these areas very inviting and often meets up with teams for group work in these spaces. Outdoor patios and the balcony are equipped with patio furniture and WiFi, and staff often takes advantage of these areas as workspace.

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Blake: The new building and the move have exceeded expectations. ASGE thought the building would be very nice, but it is more attractive and functional than anticipated and it is very well liked by members and guests. We are fortunate to have a beautiful piece of property on a small lake, which provides our guests with a relaxing, yet high-tech space for education and training. The

biggest surprise is the understanding that ASGE is now operating two distinctive organizations: the association and a conference facility.

Kramer: Overall, the results and expectations have matched nicely. There weren't any surprises per se; however, there has been some minor tweaking, such as equipping some of the meeting space with additional technology so the space is more functional and evaluating noise reduction options for one of the open collaborative work spaces.

FORUM: What types of outside assistance did you engage in to plan for the move?

Markowski: CHEST worked with project management company CBRE for

assistance with all-around project management. CBRE helped assess options for buying vs. leasing, finding land for purchase, selecting architects (Perkins + Will), selecting a contractor (Pepper), choosing office furniture, etc. CHEST also hired a construction owner's representative (CFO Construction Solutions) to represent the association in matters related to the accounting and financing of the project and a financing consultant who, for example, helped CHEST with tax-exempt bonds to qualify the association for a better interest rate.

Blake: ASGE had a real estate agent assist with the decision to build and finding the property, and the association immediately hired a project manager. The project manager was from CBRE and he worked in tandem with me to

bring the building in on time and within budget. We assembled a talented (and delightful) building team from the general contractor (EDI), to the exterior architect (Archideas), to the interior architect (SCB) and all the other critical engineering firms needed to handle a project of this scope.

Kramer: AMC partnered with an architect, general contractor, engineer and project manager specializing in real

estate, and a commercial moving company. Generally, AMC's process across the board was to send out an RFP and then meet face-to-face with the potential partners. AMC's real estate agents helped identify the general contractors to send an RFP to and then the realtors scheduled the meetings, so AMC could interview the general contractors in person. Based on questions AMC had and the questions the real estate agents had, AMC felt they were all qualified to do the

job. AMC then selected the organization that it felt was the best fit. While there was a previous relationship with the architect selected, AMC still did its due diligence and interviewed a few architects. The architect recommended the engineer. Even if a general contractor, architect, engineer, etc., comes highly recommended, I would still recommend meeting a few organizations that can provide the service.

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depends on the other partners you have selected. I think one of the advantages of a project manager is they are your advocate. If there is a question with how something is being done, or something that is recommended, the project manager solely represents the company.

FORUM: What was the biggest mistake you made from the moment you made your decision to rent/build/reconfigure until the time you moved in? How did you overcome it?

Markowski: CHEST doesn't consider anything to be a "big mistake," but a larger board meeting room and a large multipurpose room would have been useful. CHEST has a spacious auditorium for large-group presentations, but it would be beneficial to have a multipurpose room as well.

CHEST hasn't done anything yet to fulfill its wish list, but it does have the option to add on to the building at any time. The foundation footings for the training center were reinforced during initial construction, so they can support a second level. CHEST also has additional land on which it can build. The association purposefully planned for the option to expand—both up and out—so it can meet space needs into the future.

Blake: I knew it would take a lot of time, but didn't quite understand how consuming it would be. Over the course of the construction project, the board voted seven times to continue its development: hiring the building/construction team, approving the original financing package, the decision to buy the property, the commencement of the capital campaign, approving the second financial package, etc. I don't think it was a mistake to be as involved as I was, but it was critical that I redirected my energies once the building was completed. We agreed that ASGE COO Barbara Connell

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would assume responsibility for the building once built, which allowed me to refocus back on the association and the development of the new business.

Kramer: Hindsight is always 20/20, but I have to say I don't feel AMC made any big mistakes that it dealt with from the beginning to the end. I think the planning on the front end and the approach AMC took through the whole process—the partnerships formed with people it hired and the staff involvement—minimized mistakes.

FORUM: What other "lessons" did you have to learn the hard way that hopefully other associations can avoid?

Markowski: The CHEST building is LEED Silver-Certified, so it includes a high-tech, energy-efficient heating and cooling system and other automated mechanical equipment. The technology behind much of this equipment is fairly complex, so the learning curve to operate and control it was steeper than expected.

CHEST launched a capital campaign to raise funds to support the building and learned it should have been launched earlier. "Prior to groundbreaking" is not too soon to start a capital campaign.

The number of power outlets throughout the building meets code, but it would be beneficial to have more power sources in common areas, such as the lobby.



CHEST has used the lobby as a gathering space and for receptions, and additional outlets would have been helpful.

Blake: You have to very carefully consider who needs to be on your building team and what role you want them to play. There is not a right or wrong answer, but it needs to be carefully considered and strategically decided. This is a very time-consuming project and the decisions being made have long-term consequences, so involving the right people at the right time is essential.

Kramer: I think AMC was fortunate to surround itself with experts and built strong relationships from the beginning. This really helped minimize learning lessons the hard way. With any project, I think it is always good to cushion a little extra time for the unexpected. For example, AMC had reconfigured the current washrooms and in the process of tearing down walls, there was duct work that couldn't be moved, so we needed

to go back to the drawing board and reconfigure the washrooms again, which impacted the timeline and other space.

Early on in the project, someone said to me that all the way up to the day before move in, you will think that the build-out won't be done in time—but it will. They were right: Up to the day before we moved in, it seemed quite a feat to wrap up the construction and have the place ready. I do recall it being a long weekend, at times feeling a little nervous and making a few frantic phone calls to make sure things were going to be done, but it all came together and staff were able to arrive that Monday morning and start working.

FORUM: How can associations contemplating a physical move or reconfiguration make it as pain free as possible?

Markowski: Using a seasoned project management company to help manage the detail is key to keeping the process

pain free. In addition, CHEST put work teams comprised of staff volunteers in place to help with functions related to the new building and the move. For example, a "furniture team" helped choose office furniture, a "move team" helped plan the logistics of the move, etc. Not only was this a helpful contribution to the large task of new construction and moving, but it also allowed the staff to be involved and more engaged with the project at a level that was of interest to them.

Once the initial stages of planning were underway and major executive-level decisions had been made, I stepped out of the way to let consultants and staff do their work related to the building. I didn't feel the need to get involved in every decision and didn't second-guess choices made. From what I've heard, this vote of confidence in the work teams contributed positively to morale and was conducive to productivity.

Blake: The board needs to understand as much as possible about what the decision will mean to the organization. Although ASGE thought it would be an important step for training, it did not totally understand the profound change having this facility is making on how it provides medical training. It is also easy to lose focus on other aspects of the business, so trying to maintain balance is important.

Kramer: Have a solid plan and involve the people that you feel are right for the project. Know what vision and goals you want the new space to accomplish. It isn't just about the specific amount of space that is needed, but how best you can accommodate the types of work you perform and the different styles of how people work. It is important to make sure the company culture and vision is clearly articulated, so the people you have hired can help create the space to meet your expectations.

It is a major undertaking and there are a lot of moving parts to manage. The partnerships with various experts and staff were instrumental in making the buildout and physical relocation successful. The involvement of staff was also critical to our success. At the beginning, everyone in the company completed a questionnaire to help determine the types of workspace that were needed. After that, approximately 40 percent of AMC staff were actively involved and AMC communicated updates company-wide on a regular basis. Interested staff was placed on teams to work on various, specific aspects of the move. AMC had an internal project manager, relocation lead team, logistics team, infrastructure (IT focus) team, furniture team, collateral team, communications

See related article, **Are Associations Ready for Workplace Strategy**, on p. 18.

team (internal and external) and a few "others" teams. The staff was highly engaged and felt part of the process.

FORUM: If you had it to do over again, would you have made the same decision? If not, what would you have done?

Markowski: Yes, we would make the same decision. Building-to-suit was an important step for CHEST, allowing it to focus on achieving its vision and mission and allowing it to grow and adapt for future needs. And, hiring a project management company was key to making this undertaking successful. We remain happy with our decisions and the results.

Blake: I wish the process had not been so drawn out. The time from the first discussion to the final decision to build was a little more than five years. However, in the end, the timing was probably just exactly right. We would have made the same decision, for sure.

Kramer: Yes, we would make the same decision.

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