



AIA Michigan

A Society of the American Institute of Architects

July 14, 2014

AIA Michigan members and colleagues,

Thank you to those who have corresponded since last week when I announced our plans to move the AIA Michigan offices to Detroit's Midtown. The following background information is provided for your review.

Timeline

December 5, 2014... At the December Board meeting several Board members questioned Beaubien House as it related to budget and requested discussion at the next Board meeting regarding the high cost of occupancy.

January 31, 2014... Leadership Retreat. In a meeting attended by Chapter leadership from across the State, Carl Roehling presented a report that outlined options for Beaubien House and AIA Michigan office space as he saw them. Glen LeRoy presented early ideas for the LTU Space on Woodward Ave. Ideas of Matt Rossetti for the Design in Detroit space were also discussed. The Board agreed to call a special meeting to discuss AIA Michigan office space on February 25.

February 25, 2014... The Board met in a special meeting to discuss priorities for AIA Michigan office space. A decision was made to send a survey to membership, both as a way to collect information and also as a way to alert membership that sale of the House was one of the options under consideration.

March 17, 2014... All AIA members were contacted both by e-mail and US Postal Service, and asked to participate in a survey with an April 4 return date. The Survey announcement indicated that sale of the Beaubien House was being considered. A link to Carl Roehling's report was attached for all members to review. Survey results are attached to this letter.

April 17, 2014... The Board met in a regular meeting. The Survey results were discussed and a task force was established to generate financial models for options of both renting Beaubien House and selling Beaubien House.

Beaubien House
553 East Jefferson Avenue
Detroit, Michigan 48226-4324
313-965-4100
313-965-1501 FAX
E-Mail: aiami@aiami.com
Web: aiami.com

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June 19, 2014... The Board met in a regular meeting and reviewed financial models. It was also reported to the Board that LTU was finalizing plans and requesting a letter of intent by July 15 if AIA Michigan was interested in subletting in their space during 2015. The Board agreed to hold a special meeting July 8.

July 8, 2014... The Board met in a special meeting and heard a presentation from Glen LeRoy and Amy Deines of LTU. The LTU guests were dismissed and the Board entered discussion. It was agreed that the discussion would focus on the LTU proposal. It was not a discussion of larger matters such as the best geographic location for the AIA Michigan office, thus any decision was based on only the merit of the proposal as it was presented. Each Board member shared their perspective. Response to the proposal was generally very positive, with some concern expressed about AIA Michigan potentially aligning itself too publicly with LTU versus other schools. A vote was taken to submit a Letter of Intent to LTU contingent on the sale of Beaubien House. That vote passed with one dissenting vote related to the concern about alignment with LTU. A second vote was taken to market Beaubien House. That vote passed unanimously. Subsequent votes were taken to establish three task forces: one to negotiate with LTU, one to market Beaubien House, and one to work with staff in addressing logistics of a move. Those votes passed unanimously.

August 7, 2014... In a regularly scheduled meeting of the Board task forces are scheduled to provide updates on progress.

September 15, 2014... A final negotiated lease with LTU is anticipated to be complete by this time.

January 2015... the LTU space is anticipated to be ready for occupancy.

Benefits

The Board saw many advantages to the LTU proposal: Reduced occupancy costs, reduced financial risk, reduced staff time related to occupancy, higher visibility, closer proximity to peers, improved opportunities for collaboration, improved technology and connectivity, larger conference room, access to and use of gallery space, access to and use of event space, complementary shared spaces, conforming barrier free access, improved parking, participation in a vital neighborhood of art, business, education, medicine, and technology.

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Return on Investment

Proceeds of the sale will be permanently invested, and investment returns will be applied each year to expenses associated with AIA Michigan programs and staff. This investment will allow for a fourfold benefit to the AIA Michigan budget each year henceforth. By investing the proceeds of the sale, AIA Michigan will have exceeded its target of cash reserves on hand in the amount of six-month's operating expenses. That goal having been met, AIA Michigan will no longer be annually investing in reserves, except as needed to match a potentially increasing operating budget. Also as a result of meeting that goal, investment returns on existing reserves, which until now were re-invested in reserves, will newly be available to be applied as annual operating income. The four components of the return on investment then are as follows: 1) yearly savings in occupancy costs 2) interest on proceeds of the sale 3) interest on existing reserves that until now had been re-invested 4) elimination (or significant reduction) of annual contribution to reserves. The net benefit to the budget will be thirty to forty thousand dollars per year.

Thanks for your interest in this important development for our organization and for our profession.

Sincerely,



Paul Dannels, FAIA
2014 President
AIA Michigan

Attachments:

LTU Proposal
January Beaubien House Report
Survey Results

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AIA MI

IN MIDTOWN



AIA
VIA

MTDT

AIA

AIA

AIA

AIA

BENEFITS TO SUB-TENANT

- Premier location on Woodward Avenue
- Along M1 Light Rail Corridor
- Near DIA, DSO, Wayne State, as well as the U of M, MSU, and Grand Valley State Detroit Centers
- Police patrols by WSU Security
- Independent office space, accessible from the lobby
- Identification [logo] on office space and elevator, with partner logos on storefront window, and a sidewalk banner (if allowed)
- Shared spaces
 - Conference room and kitchen
 - Exhibition space
 - Expanded lobby for receptions and programs
- Opportunity to engage in design studio
 - Lectures
 - Teaching studios
 - Studio advisor
- Dedicated seat on the advisory board,
- Opportunities for K-12 educational program
- Ability to hire student interns
- Opportunities to work with affiliated schools that will be invited to engage in the center's programs, such as UDM, UM, CCS, Cranbrook Academy and WSU

OTHER SUB-TENANTS

Urban Land Institute, Detroit Chapter

Dassault Systemes

SME Engineers, Inc.

National Organization of Minority Architects [NOMA]

makeLAB

New Economy Initiative

Tech Town

AIA MI Board Member Questions

1. Is there any distribution of mechanical and electrical included in the lease or is this all part of tenant improvements? **This would be part of the build out costs. See below.**
2. Is there is any money available for the build out costs. **The building owner will provide a \$15.00 per sq. ft. for tenant improvement.**
3. Terms: **5 year lease with the option to renew.**
4. Can AIAMI sub-lease from Midtown Detroit directly? Have we had a serious discussion with Midtown Inc. regarding the possibility of pursuing our own lease in a space adjacent to the LTU space? **Yes, this is an option but the added benefits would not be available to AIAMI and we would not have space on the second floor. LTU is leasing the entire second floor and will have sub-leases for other tenants. LTU will be the master tenant on the floor but AIAMI would pay Mid-town Detroit directly and they will be responsible for the sub-tenant leases.**
5. Parking? **Based on 1,500 sq. ft. AIAMI would be given 1-2 dedicated parking space within the parking below grade. LTU is working with WSU and Midtown Detroit to address parking needs. There is nearby public parking Great Lakes Coffee. (A block away). Surface parking and lots nearby as well.**

AIA MI Board Member Questions

6. Would we have control over the design of the build-out of our area, or is LTU expecting a donation to the build-out costs with the finishing of our area rolled into the larger build-out project designed by LTU? **AIA would be responsible for our space. LTU does not expect AIA to pay for any space other than their 1,500sq. ft. LTU would assist in build-out costs as it relates to public space.**

7. Is there actually a ground floor storefront space included (not indicated on the plan)? **There is ground floor space available and would be one of the major benefits of sub-leasing. LTU has gallery space available via master schedule to its sub tenants. For example we could book the space for a Design Awards expedition.**

8. I would also like to know how much of the 100% of the leasable space is spoken for and by whom? **LTU has engaged many constituents and have offered the space to be shared and a collective place for shared vision. See draft of the sub-tenant list.**

AIA MI Board Member Questions

8. Continued

The ground floor is an Exhibition/Gallery Space, a possible restaurant and retail. This is being negotiated on currently by the building owner.

The 2nd floor consists of LTU as the main tenant. Other sub-tenants as mentioned previously are the National Association of Minority Architects, Urban Land Institute, Soil and Materials Engineers and Dassault Systemes. Currently the building owner is assisting with sub-tenant documents and lease.

3rd floor will consist of Midtown Detroit Inc. and Invest Detroit

OTHER COMMUNITY STAKEHOLDERS

DTE Energy
National Organization of Minority Architects [NOMA]
AIA DETROIT
AIA NATIONAL
OTHER ACADEMIC INSTITUTIONS
Midtown DETROIT Inc
Governor Rick Snyder of Michigan Office
Mayor Duggan Administration
Kresge Foundation
Tech Town
DFC
DC3
Design in Detroit
Next Energy
CUDC
Variety of Architecture and Design Firms
DPS + Charter Schools
DENBY AND DCDC



PRESS

- Crain's Detroit
- WDET
- Detroit Free Press
- Workstyle, Milan
- Detroit Home
- Curbed Detroit
- LTU Alumni News
- WJR
- HOUR Detroit

LTU Design Center at Woodward/Willis Breaks Ground Next Week

Friday, December 13, 2013, by Paul Beshouri



[Rendering via LTU]

It's here! The long-rumored <http://detroit.curbed.com/archives/2013/04/vacant-lot-by-midtowns-mcdonalds-may-soon-look-like-this.php> development next to McDonalds on Woodward and Willis is scheduled to break ground on Wednesday, reports Crain's. The **\$7M building** will be three stories, with almost half of its **30,000 square feet** devoted to Lawrence Tech's College of Architecture and Design. Surprisingly, there's no residential space in this structure, nor any certainty of retail space. The ground floor will mostly be gallery space for LTU, though an **unnamed restaurant** might occupy a spot in the corner. Midtown Inc expects LTU to move in by October 2014.

- Vacant Lot By Midtown's McDonalds May Soon Look Like This <http://detroit.curbed.com/archives/2013/04/vacant-lot-by-midtowns-mcdonalds-may-soon-look-like-this.php> [Curbed]
- Groundbreaking set for Midtown building to house Lawrence Tech



MIDTOWN

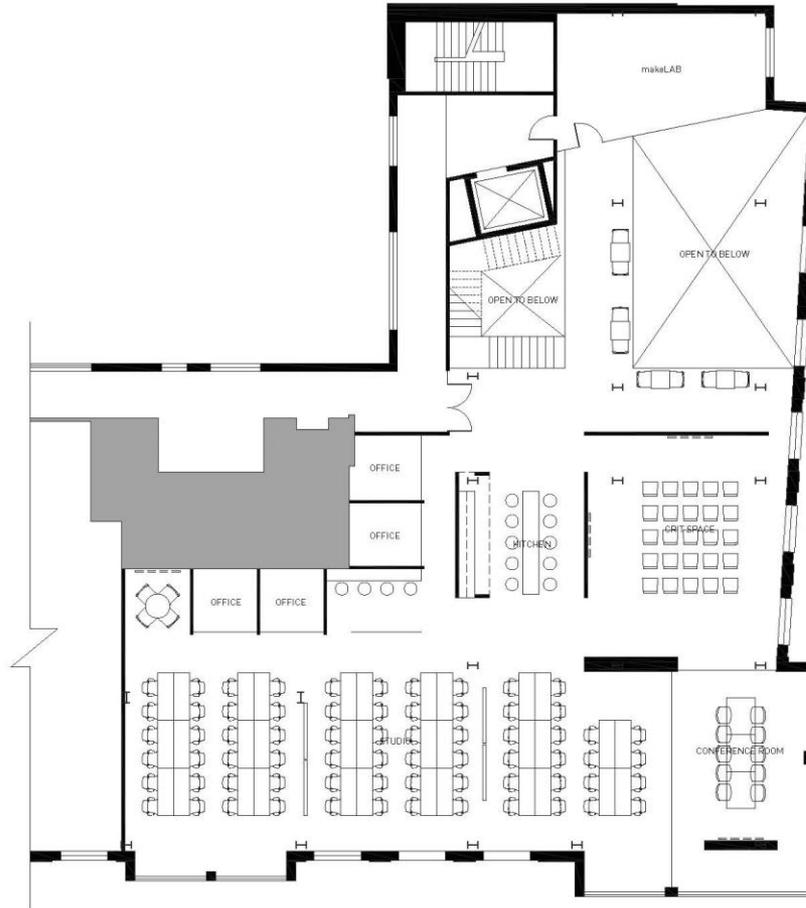
LAWRENCE TECH DESIGN CENTER

MIDTOWN INC

RENDERINGS REVEALED

TOP

WOODWARD AND WILLIS



LTU MIDTOWN LV02
SCALE: NOT TO SCALE



AIA MICHIGAN IN MIDTOWN





LAWRENCE TECHNOLOGICAL UNIVERSITY
THEORY AND PRACTICE
1932
SOUTHFIELD, MICHIGAN





**THANK YOU!
QUESTIONS?**

AIA Michigan Beaubien House Survey - Spring 2014

Percentages given are of 375 survey responses received (23% of 1644 AIA Michigan members contacted).

<u>Chapter</u>		<u>Years of Membership</u>	
Detroit	51%	less than 5 years	14%
Flint	5%	5 - 10 years	12%
Grand Rapids	12%	10 - 20 years	21%
Huron Vally	13%	20 - 30 years	25%
Mid Michigan	5%	more than 30 years	29%
Northern Michigan	3%		
Saginaw Valley	6%		
Southwest Michigan	5%		
Upper Great Lakes	1%		
Upper Peninsula	2%		

If sale of Beaubien House is to be considered, how important would it be to you that terms of the sale preserve the future of the house in a historically respectful way?	Very Important	51%
	Somewhat Important	33%
	Unimportant	17%

If sale of Beaubien House is to be considered, how important would it be to you that financial equity in the home be preserved in some form of endowment as a legacy to the donors?	Very Important	33%
	Somewhat Important	36%
	Unimportant	31%

If sale of Beaubien House is to be considered, how important would it be to you that AIA maintain its headquarters in the house as a tenant?	Very Important	16%
	Somewhat Important	21%
	Unimportant	62%

AIA Michigan Headquarters should be in close proximity to the state's population center.	Strong Agreement	40%
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AIA Michigan Headquarters should convey an equal, or neutral, relationship toward each chapter individually.	Strong Agreement	48%
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AIA Michigan Headquarters should be in close proximity to the state legislature.	Strong Agreement	31%
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AIA Michigan Headquarters should be in close proximity to the organization's primary sponsors.	Strong Agreement	16%
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AIA Michigan Headquarters should have high public visibility.	Strong Agreement	59%
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AIA Michigan Headquarters should be architecturally significant.	Strong Agreement	64%
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AIA Michigan Headquarters should have a single recognizable physical presence, not exist as virtual office or satellite offices.	Strong Agreement	57%
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AIA Michigan Headquarters should provide a safe and supportive work environment.	Strong Agreement	70%
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AIA Michigan Headquarters should have total per square foot occupancy costs not significantly more than typical peer non-profits	Strong Agreement	56%
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AIA Michigan Headquarters should excel in technology and digital connectivity relative to typical peer nonprofits.	Strong Agreement	52%
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AIA Michigan Headquarters should excel in sustainability relative to typical peer nonprofits.	Strong Agreement	41%
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The Future of the Beaubien House

The American Institute of Architects
Michigan Headquarters

January 31, 2014



What's next for the Beaubien House?

The Past

- Built in 1851 for Charles Trombley
- Purchased by Michigan Society of Architects in 1980 and occupied
- Renovated in 1987

The Present

- AIA organizational change
- The resurgence of Detroit
- Beaubien House condition

The Future?

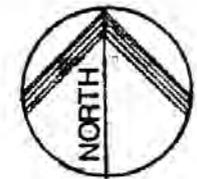
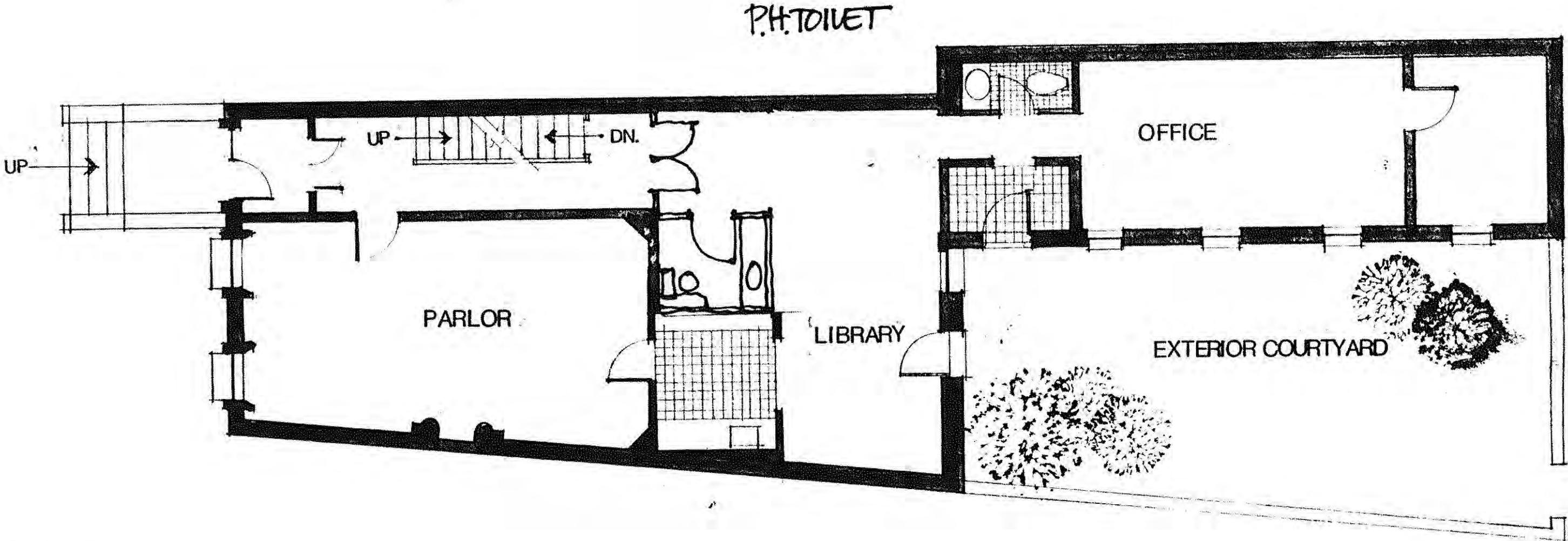


Background—the member investment

- Bought by the Michigan Society of Architects in 1980 for \$104k with \$50k mortgage
- Stabilized in 1984 with \$12k Hudson Webber grant and \$35k in member contributions
- Restored in 1987 with \$155k of firm and member contributions and \$161k mortgage (\$27,000 used to bridge timing of contributions)

Member Contributions	Total Cost
\$64,000	\$104,000
\$35,000	\$47,000
\$155,000	\$289,000
Totals	\$254,000
	\$440,000

The Beaubien House—First Floor



The Beaubien House—First Floor

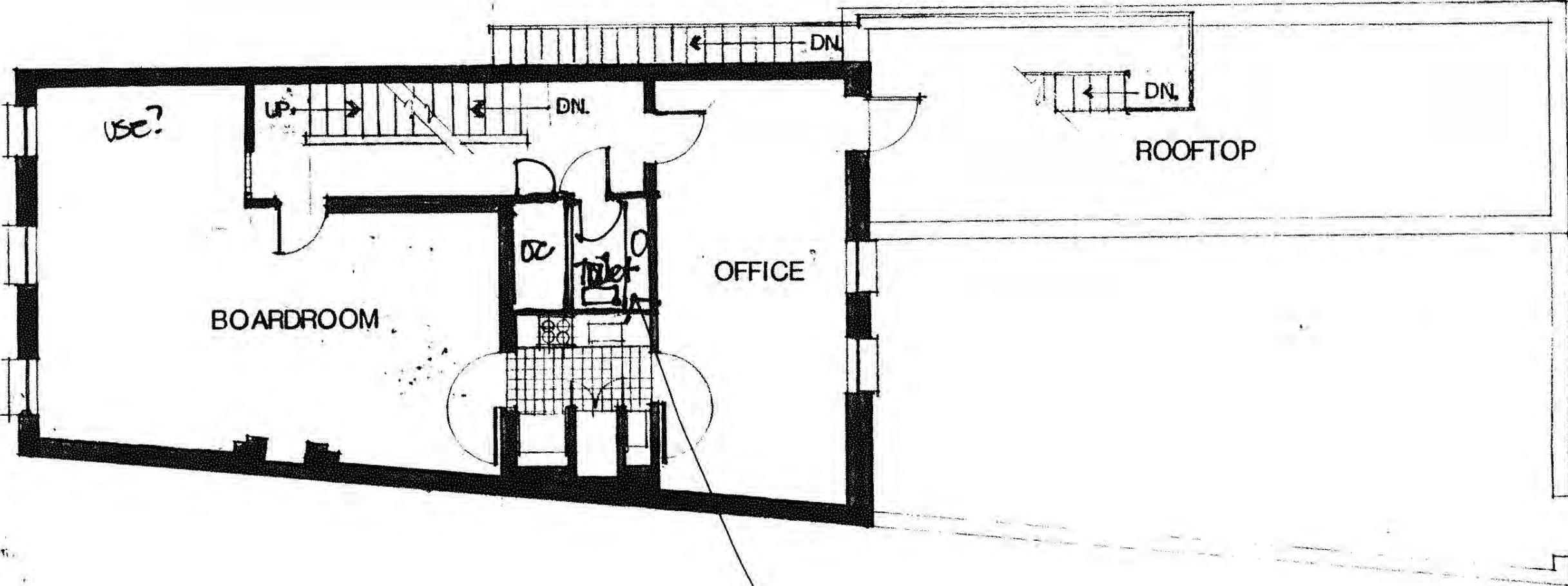


Office



Parlor

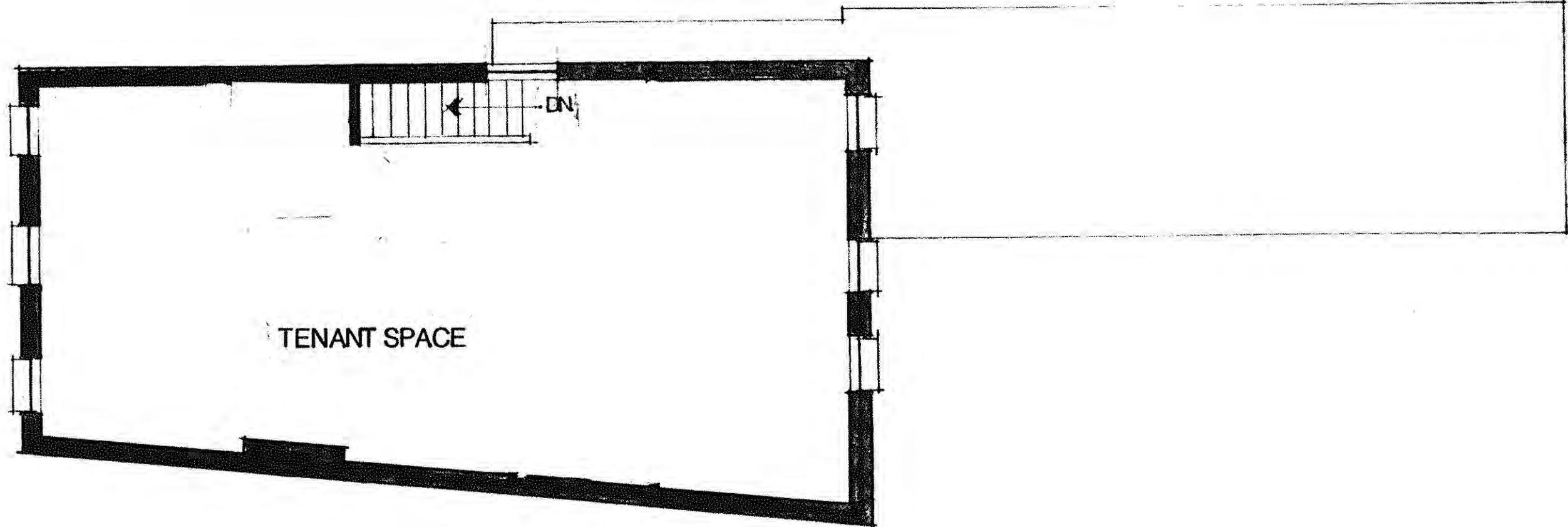
The Beaubien House—Second Floor



The Beaubien House—Second Floor



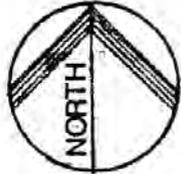
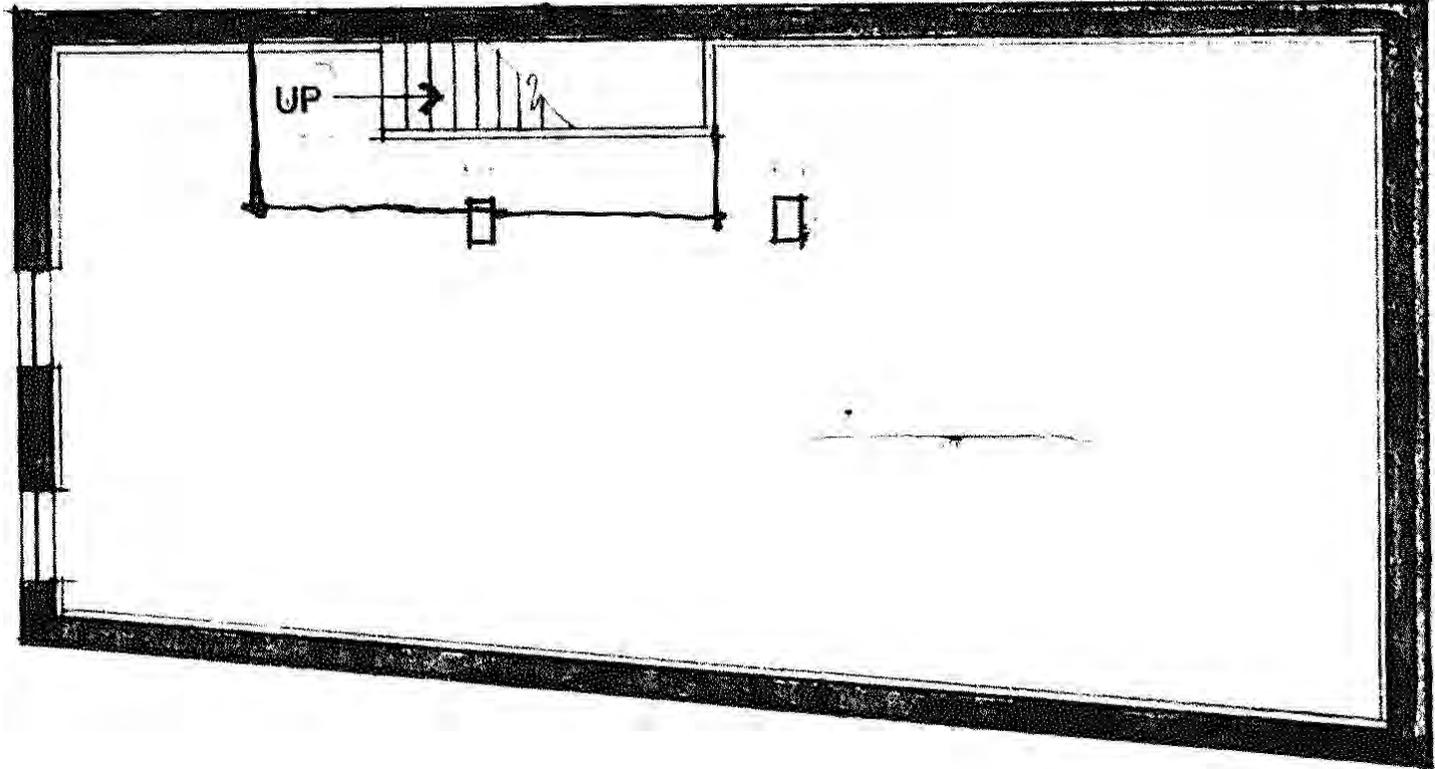
The Beaubien House—Third Floor



The Beaubien House—Third Floor



The Beaubien House—Basement



The Beaubien House—Basement



Goals of the 1987 Restoration

1. Restore historically significant architecture as a headquarters for the Michigan Architectural Foundation, AIA Detroit and AIA Michigan
2. Make it safe and efficient
3. Make it income producing—attract outside tenant for the third floor
4. House a bookstore on the first floor and staff workstations, with the Executive Director's office and member conference room on the second floor

Pro forma—how was this paid for and what was expected?

• MAF leased 1160 square feet and one third of the basement 300 sf	= \$18,000 per year
• Third floor tenant would lease 1031 sf – third floor and one third of the basement 300 sf	= \$15,975 per year
• AIA Michigan leased 1031 sf – and one third of the basement 300 sf. AIAD paid 20% of this total	= \$16,065 per year
• Total income/rent per year	= \$50,040 per year

What has changed over the last 27 years?

	1987	2014	
AIAM membership	1600	1200	Down 25%
AIAM staff total	7 Fte	3.5 Fte	Down 50%
MAF leasing	1160	0	Down 100%
AIAD paying 20% AIAM house costs	18,000	0	Down 100%
Market rate for rent	\$15/sf	\$15/sf	Same
Operating costs/year	\$26,840	\$47,000/	Up 75%
Program			
Bookstore	yes	no	
Staff workstations	1	1	
Executive Director's office	1	1	
Conference room	6	3	
Technology	Telephones	Computers	
Commitment to preservation	Yes	Yes	
Building Value	\$440,000	\$200,000 to \$360,000	

The Issues

- Strategic fit for the organization
- Cost of maintaining the house—insurance.
- No tenants—AIAD moved out
- Conference room does not work for Board size groups.
- High Occupancy costs—\$34 per useable sf of space per year
- Staff has to manage the building
- Staff security
- Moral obligation to past donors to use equity for the original purpose
- Moving begs the issue of location—Lansing, suburbs or the City.

The Future

- The asset—features of the Beaubien House
- The future program - how much space do we need?
- What qualitative features do we need?
- What are the options to meet these needs?



The Asset—Features of the Beaubien House

- Downtown Detroit location on Jefferson
- Member recognition and emotional connection
- No mortgage or debt
- Michigan Architectural Foundation image and address
- Jones Lang LaSalle Study said will sell for \$360,000 and could get \$17.50 per sf rent
- Christman's valuation was similar assuming investment of \$381,000 to \$631,000 in renovation

AIA Michigan Headquarters Goals—aligning facility with strategy

Program	
– Staff workstations and storage	300 sf
– Executive Director office/conference room	150 sf
– Visiting members/part time staff work area 3 stations	120 sf
– Presentation Conference area with video technology, exhibit area and lobby combined Archives off site = 600 sf	800 sf
– Parking for staff and members	
– Meet current codes	
Total	1370 useable sf

AIA Michigan Headquarters Goals—aligning facility with strategy

Qualitative Requirements

- Secure—Parking and personal safety, property secure
- Flexible—Can change with need or amount of space over time
- Efficient—Staff not doing facility work or management
- Access—Parking with easy access for members
- Technology—Easy to change over time and up to today's expectations
- Image appropriate to architects—design excellence



Five of many options

1. **Sell to preserve its future but re-locate**—Rossetti offer—LTU offer—Center for Design & Technology
2. **Stay and give up ownership**—become a limited partner and tenant with new ownership.
Christman offer
3. **Stay and renovate**—reinvest in the house and bring it up to code, fit it out for technology, add an elevator and use the third floor—Christman estimate = \$630,000 for renovation
4. **Maintain the status quo**—fix and maintain the house
5. **Long term option**—become a limited partner in a block wide development. Speculate that GM, UDM, Blue Cross buy block

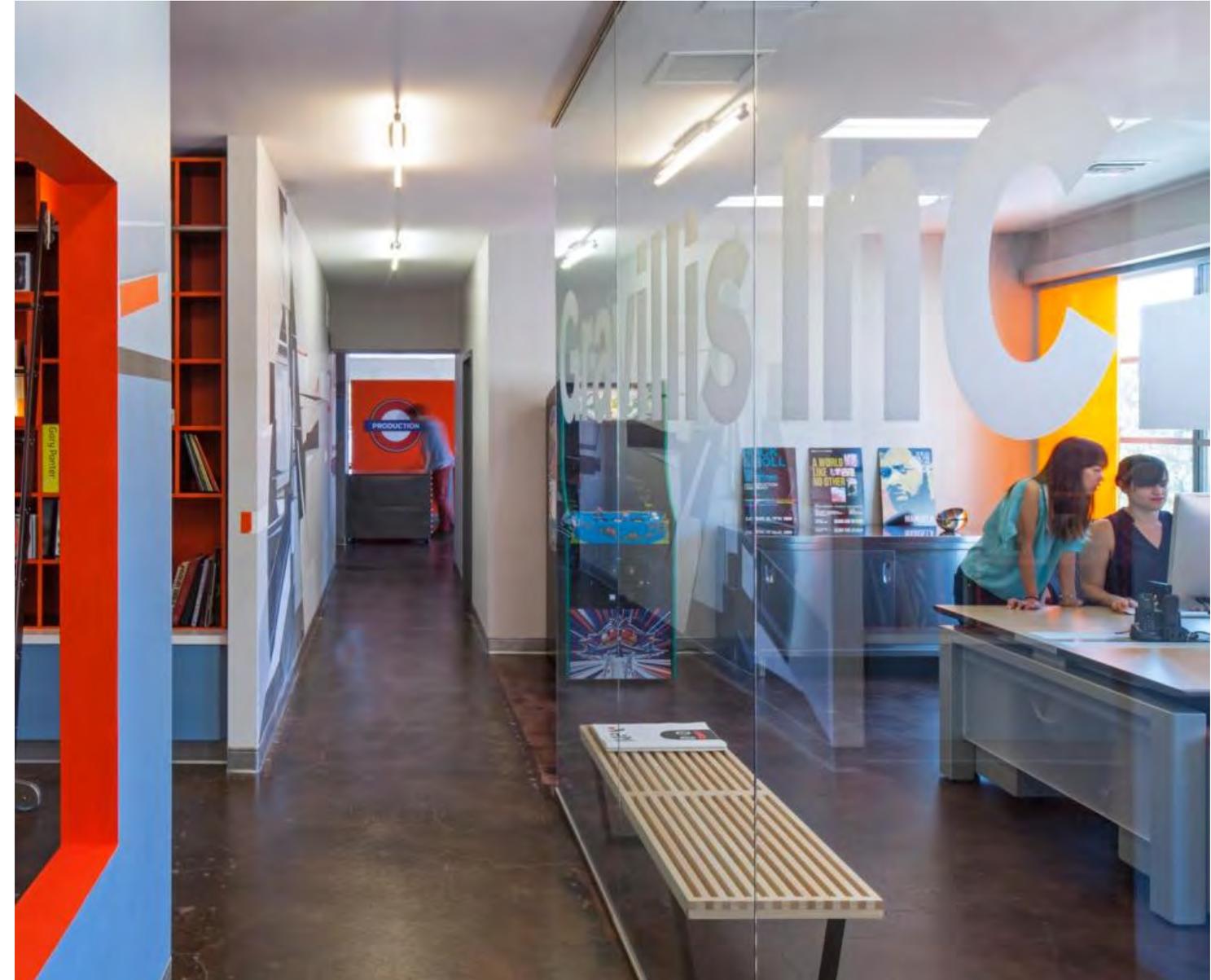
Option 1—Sell to preserve but re-locate

- **Sell building to “friendly” buyer** for market value \$300,000 to \$360,000. Use equity in a “fund” with proceeds to pay rent for AIAM in perpetuity
- Private “investor” group of architects willing to put equity into the investment. i.e. the Tincknell Group or owner that will accept covenants
- **Rent new space** of 1370 sf at \$20 per sf = \$27,400 and share conference, exhibit space with landlord
(LTU offer or Rossetti offer)



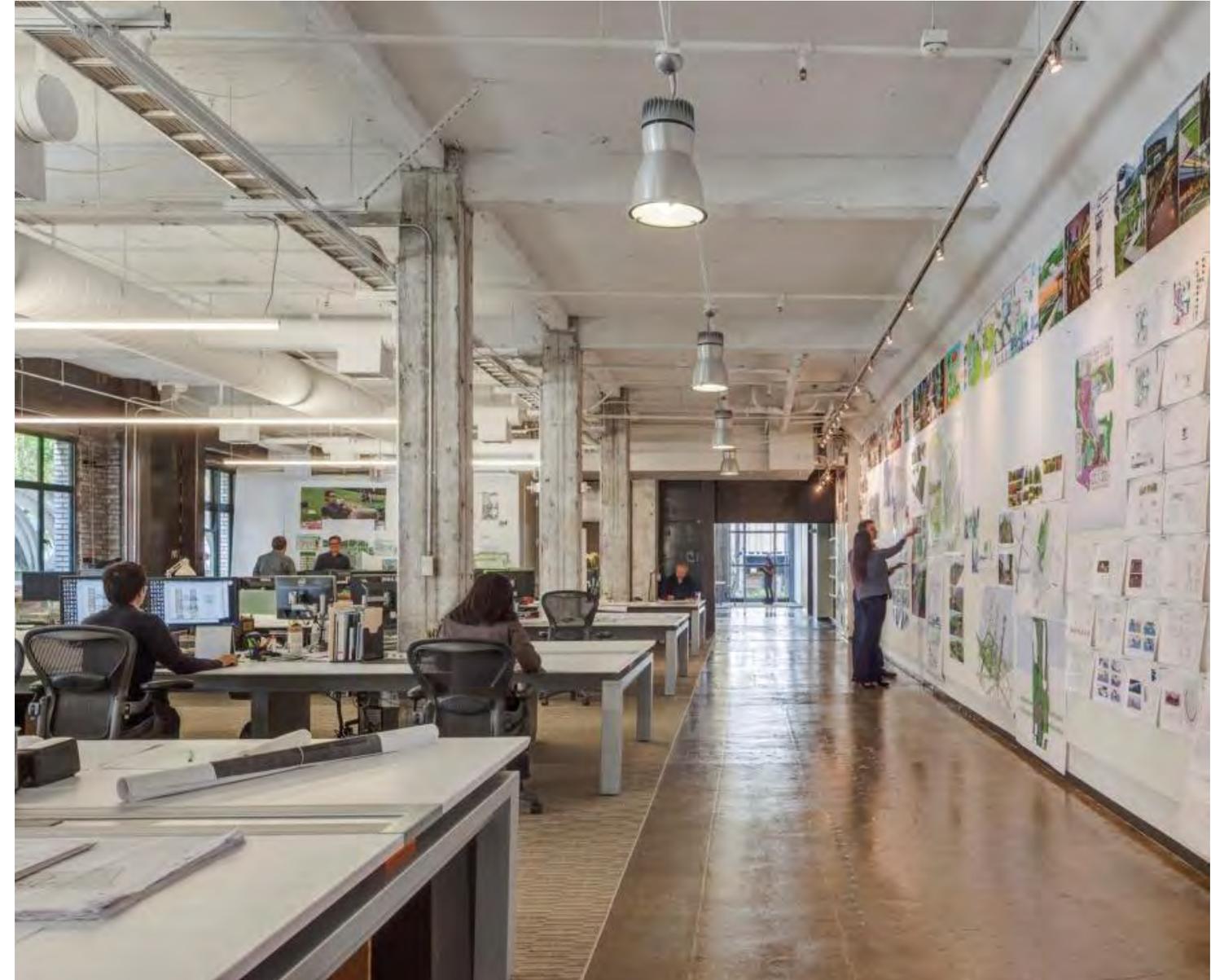
Option 2—Stay but give up ownership

- **Rent the third floor** (1119 sf) at \$15 per sf plus common allocation (103 sf) + 1222 x 15 = \$18330 and basement storage 600 sf at \$4/sf = \$2400 for a total of \$20,730 per year.
- **Use equity as “fund” to offset rent payment.** Assume 3% per year on \$300,000 = cash flow of \$9000 per year.
- Net rent cost to ALAM = \$11,730 per year.



Option 3—Stay and renovate

- **Renovate** including new elevator and code upgrades = \$462,998 (**Christman estimate**)
- **Borrow money** and pay interest and financing fees
- Maintain landlord function and manage space with staff
- **Rent out first or third floor** for \$15/sf less operations cost for income of approximately \$16,000 per year



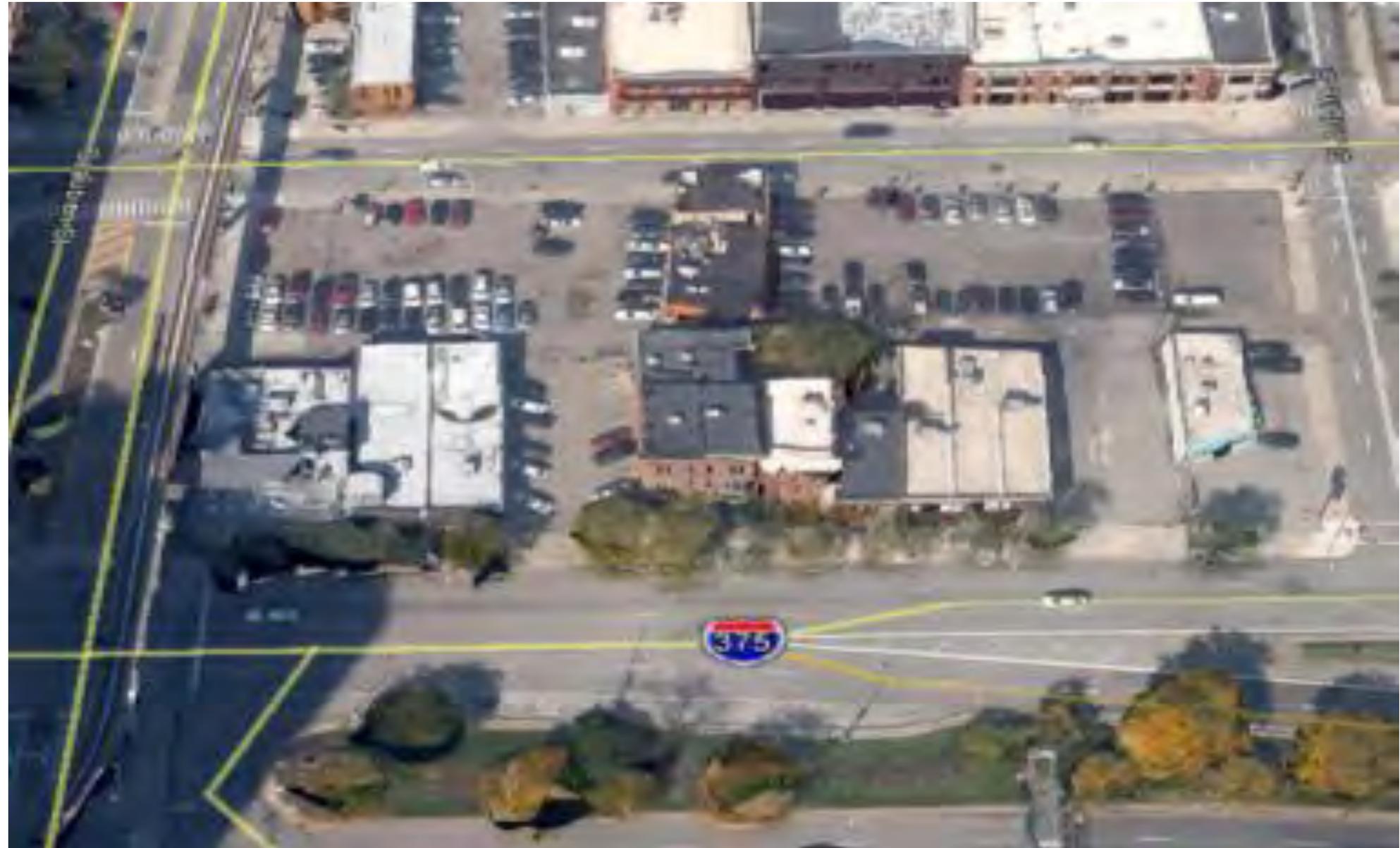
Option 4—Maintain status quo but fix up building as needed

- Develop strategies for **reducing operating costs**— Assume new HVAC and systems investments. Assume \$75,000.
 - Taxes—\$13,000
 - Utilities—\$12,000
 - Insurance—\$8,000 (Building Only)
 - Maintenance —\$10,000 to \$14,000
 - Parking—\$4,000
- **Add new technology** on second floor. Assume \$20,000
- **Use third floor** as meeting space—Assume \$50 per sf or \$55,950



Option 5 - Become part of development for the entire block

- **Look for developer partners**
- Assumes developer can get control over the entire area
- Strong demand in the area for housing
- GM and UDM strong neighbors
- Will face the same options . . . may have to move anyway.



Summary—decision hinges on strategic issues

- Does AIAM want to be in this location?
- Does AIAM want to be in the landlord business?
- What is likely to happen to AIAM in five years? Ten years?
- In the perfect world, where would AIAM be located, what would it house and why?
- Should the MAF donations (the value of the home) be preserved in perpetuity? If so, how is it accomplished?
- How does AIAM make this decision?

Recommendations—real estate requires quick decisions

- Document the strategic direction for facility and real estate and then **empower a small group of no more than three to act**
- Do not be a “do it yourselfer”. **Hire pros to negotiate** on behalf of the AIAM. Part time volunteers cannot be relied upon to “close” on these kinds of issues
- **Take the politics out of it.** Members have emotional reactions and professional jealousies that get in the way of good decisions.
- Define **a clear process for taking action**, just as we do with our clients.
- Define what we want, and how you will **judge the proposal regardless** of which option is pursued