
Rooftops Project

Academic Centers and Programs

Winter 2015

Profiles - Chicago Literacenter

James Hagy

New York Law School, jhagy@luc.edu

Follow this and additional works at: https://digitalcommons.nyls.edu/rooftops_project



Part of the [Business Organizations Law Commons](#), [Land Use Law Commons](#), [Legal Education Commons](#), [Organizations Law Commons](#), [Property Law and Real Estate Commons](#), [Social Welfare Law Commons](#), [State and Local Government Law Commons](#), and the [Tax Law Commons](#)

Recommended Citation

Hagy, James, "Profiles - Chicago Literacenter" (2015). *Rooftops Project*. 29.
https://digitalcommons.nyls.edu/rooftops_project/29

This is brought to you for free and open access by the Academic Centers and Programs at DigitalCommons@NYLS. It has been accepted for inclusion in Rooftops Project by an authorized administrator of DigitalCommons@NYLS. For more information, please contact camille.broussard@nyls.edu, farrah.nagrampa@nyls.edu.

THE ROOFTOPS PROJECT

Photo: Tim Benson Photography for Chicago Literacy Alliance



Profiles

Chicago Literacenter

Business news is often filled with stories about incubator spaces and entrepreneurial hubs in which start-up companies can hang out, network, and grow. What might result when these concepts are adapted to bring together diverse not-for-profit organizations focused on similar missions? Professor James Hagy visits **Stacy Ratner, Co-Founder and Creative Director of the Chicago Literacy Alliance**, and **Transwestern's Larry Serota** at the grand opening of **Literacenter** in downtown Chicago.

On a warm day earlier this year, supporters converged on a typical brick warehouse in a neighborhood of loft-style office and residential redevelopment projects tucked along the elevated rail lines just west of Chicago's downtown Loop business district. It is hard to imagine, more than 125 years later, that the location was also the site of the historic Haymarket Riots at a much different time in the history of the city.

Today, the property has been reimagined as the headquarters locations for more than 70 not-for-profit organizations, each bringing its own experience and approach to addressing one of the enduring social challenges in Chicago and many other communities, that of promoting literacy. Until now, some of these organizations have resided separately in other physical locations across greater Chicago. Others operated virtually. All of them have been brought together for the first time in an energized, upbeat environment in an open-plan interior decorated with colorful branding and quotes from literature and culture.

The journey that led to the opening of Literacenter has bespoke twists, but follows a path familiar to many not-for-profits: linking mission and strategy to aspirations for their own space, searching for location in an expensive urban marketplace, and managing the financial and physical necessities of a significant capital project.

I declined an offer to use one of the available stable of playful, shared scooters to navigate the extensive space, from offices to workrooms. But the scooters are just one signal of the tone of fun engagement that is infused throughout the space. And it is impossible to spend more than a moment with Stacy Ratner without sensing her infectious energy, committed bent for the arts, and sympathetic laugh. It is easy to be warmed by her enthusiasm for literacy and the approach represented in the charities she has founded and leads, as well as in the unique space she has created.

From New Economy Entrepreneur to Literacy Incubator Visionary

Stacy brings to her mission deep roots and experience in the business sector. She has been involved in a series of 24/7 start-up businesses much like those featured in the business media and even in reality TV. How did she find herself making the transition as an innovator in the not-for-profit world?

"When I was about seven, I got asked what I wanted to do when I grew up. I said I wanted to be a copy editor. In a way, I am still working towards becoming a copy editor, thirty-something years later. I got a degree in literature, and then later I got a degree in law. When I was halfway through law school, my brother started his first high tech startup company in Cambridge, Massachusetts. It was a computer consulting firm. He asked me to join, and I said sure. Five startups later, we were the first company in Boston to offer DSL when that was the new coming technology, a really big deal, which dates us a lot now.

"We then did six years together in an automotive remarketing on-line venture, which really meant that we were selling used cars on the Internet. By that time I had gotten a law degree also. So I was a lawyer, selling used cars. For karma, this is about as low as you can get. Except once, at a cocktail party, someone told me it could be worse. I said, 'really'? And they said, 'Yes, you could be in real estate.'" The comment seems prophetic now.

Stacy returned to Chicago, attracted by a project working with her sister-in-law on the start-up Sittercity. "Sittercity became the country's biggest childcare matchmaking provider online," Stacy explains. "I left Sittercity after





Photos: Tim Benson Photography for Chicago Literacy Alliance

its initial round of funding. It had really been fun. But I was turning 35, which seemed like a really big number at that time. It seemed like an ideal time to go and do something else.”

Stacy wanted to turn her efforts to the not-for-profit sector, initially without a particular mission type in mind. “I had a long list of causes that were really interesting and important, and it really was a long list. I narrowed it down based on three things. First, was this a cause where I could do more good than harm? That let out a lot of things where you could wade and splash around well-intentionedly, but where you really need a lot of background and education I didn’t have. The second thing was, is this emotionally sustainable as a cause? This eliminated things like animal shelters, because every puppy would have come home with me. It would have lasted about two days. Third, was this something that I cared about and that Chicago really needed? Was this going to be a vanity not-for-profit for a species that didn’t need to be saved or a cause that didn’t need to be espoused?”

“I thought back to my copy editor dream when I was seven, and my comparative literature background. Literacy is super-important to me. But Chicago is a first world, first class city with major cultural institutions. Surely we don’t need to work on literacy in Chicago. Two minutes on Google told me that was not the case and that there was a lot to be done.”

She concluded that this distinguished literacy from many other social service needs in Chicago’s neighborhoods. “I think it is very, very hard to live in Chicago and not know that homelessness is still a big problem. You walk down the street and you see that. You would also have to really be deprived of all of your senses not to know that gun violence is still a major issue in the city; we haven’t solved that. Literacy is a little harder to see. Unless you are specifically looking for it, that is hard to know.”

These realizations led her to found Open Books ten years ago, with the dual objectives of supporting literacy for Chicago’s school children through programs, workshops, and mentoring, while also educating the public about the presence of illiteracy.

Open Books’ programming is supported in part through the organization’s bookstore, which is stocked not only with donations from throughout Chicago and the suburbs, but volumes sent to Open Books from around the world. The

bookstore provides a revenue stream that today has grown to an annual \$1.4 million. This impressive aspect of the model felt comfortable to Stacy, given her prior experience in the for-profit arena.

“This was a financial model I understood, because I had no not-for-profit background. I never had written a grant, I never had gotten a gift. But I pretty much understood that if you took something and if you sold it, then that would be a good start.”

But she also created the bookstore as a communications tool for the organization’s mission. “Everyone who walks into the store to buy a book or to attend an event will hopefully walk out with the knowledge that they should be able to do something for literacy, whether that is volunteering, helping us build our programs, attending an event, or whatever it might be.”

Connecting Like-Minded Literacy Organizations

Through her work with Open Books, Stacy saw that literacy was a focus of other charities, too. Yet there seemed to be few common connections across organizations. Once Open Books was established, she explored this observation, leading to discussions with Jenné Myers. Myers was then the director of Working in the Schools (“WITS”), another established literacy organization working with the Chicago Public Schools. She is now the executive director of Chicago Cares, which connects volunteers with charitable service opportunities.

In 2009, Ratner and Myers co-founded the Chicago Literacy Alliance (“CLA”) as an association of area charitable organizations focused on literacy. CLA is now the parent organization for Literacenter. It is through Literacenter that CLA has been able to achieve Stacy’s vision of linking and encouraging like-minded literacy charities by providing them an affordable, yet attractive, common physical home.

The Concept for a Common Physical Home for Like-Minded Charities

Stacy’s approach to Literacenter once again benefited from her experiences as a business entrepreneur. She had been resident in incubator spaces both at the then Port of Technology in Philadelphia and later in 1871, a much-



celebrated business accelerator space in downtown Chicago. The timing coincided with a necessary examination of Open Books' own physical space.

"When Open Books' lease started to come up, I was talking to [Transwestern Executive Vice President] Larry Serota, and I said 'I have this other idea, which may be bigger than just Open Books.' He let me explain the whole thing, and I thought he would say 'You are out of your mind.' And what he said was, 'Awesome.' So that was the kickoff of the Literacenter project, which eventually also turned into the home for Open Books and the room that we are sitting in right now."

Open Books had two three-year extension options as part of its initial lease in River North. It had exercised the first option, the expiration date for which was approaching. Stacy and her board of trustees needed to determine whether to stay for another three years. Stacy is quick to point out the importance of those rights, which protected Open Books' recognized presence in the River North location while also providing time and flexibility to consider a move.

Unlike some smaller not-for-profits in the startup phase, for which physical space may be far from mind, Stacy knew from experience that real estate would be a key component to her ambitions for CLA. "Open Books had gone from me in my basement to having a physical bookstore in River North [a neighborhood of low-rise, rehabbed brick buildings north of downtown characterized by gallery spaces], with associated offices and classrooms." Open Books also continues to occupy a second bookstore location in the Pilsen neighborhood just south of Chicago's downtown business core, where its warehouse functions and administrative offices are also located.

Building the Right Team

Open Books had worked with Larry Serota and Transwestern before, in locating and leasing its Pilsen property. Early in the telling of her story with the new project, Stacy notes the role that Larry and Transwestern played beyond the basics of identifying available spaces for rent. Larry was involved from the beginning phases of planning for what became Literacenter, during programmatic design.

"Quickly it became obvious that I had more than just a real estate guy," she says. "I had a true partner, I had a friend, someone who got what we were trying to do and was going to make this happen. I can't emphasize strongly enough how important that turned out to be, because this was a very hard project to bring to conclusion. I don't know a lot of people who would have stuck with it. For me, one learning point is to make sure that your real estate professional is the right person for the project, because this isn't an easy thing to explain and it certainly wasn't easy to build."

CLA also benefited from early leadership contributed by Michael Fazio, Vice President of Workplace Strategy at Inscope, which provides furniture and storage solutions. Michael guided the CLA team in anticipating physical space needs and potential occupancy footprints. "He did a great initial survey, initially to develop the furniture budget, but it turned out to be much more than that," Stacy emphasizes.

"This was all part of the team-building, finding the right players who saw a higher calling and who saw what Stacy was looking to achieve," Larry notes. "In his former life, Michael was an architect. He has a real passion for literacy. He has written his own novel. We knew that we were putting together like-



Photos: Chicago Literacy Alliance



minded people at the onset. He agreed on a pro bono basis to put together our initial [space] program, to ask the right questions, to understand what size we are talking about, what the occupancy levels are, all the way down to what the density would mean for our flush counts for toilets. He put quite a bit of time into it. So, we knew what Stacy's dream actually looked like in bricks and mortar."

"Michael developed a really nice book that enabled us to go to market. Landlords, as you can imagine, can be skeptical about uses. If it is not general offices, what is it and who is behind it? Stacy was able to supplement [Michael's work] with what Open Books was, and CLA. That was used to educate landlords. So we used it not only internally, but externally as well."

The interior design team, which Stacy added next, had a natural affinity and familiarity with Stacy's vision as well. "Partners By Design was our neighbor, literally, in the old space [in River North]. They had half the floor, and we had half the floor. We had seen them in the halls for years and years and years. It was lovely working with them, because there was nothing we had to tell them about living with Open Books. *They had been living with Open Books.* They had seen the kids in the hallways."

Larry Serota agrees with Stacy's assessment that Partners was a lucky choice. "This is a top design firm in the city. They are representing the who's who of tech. But it also has a real philanthropic bent."

Partners by Design first assisted with so-called "test fits", in which a tenant evaluates choices of available space for compatibility with the tenant's programmatic needs and for operational efficiencies. With Larry's understanding of the market, the design fees not only for the test fits but for the final plans were incorporated in the landlord's financial contribution to the deal that emerged.

The Familiar Real Estate Mantra: It's Often All About Location

As a real estate professional, Larry was accustomed to clients focused on finding the perfect neighborhood and site. "Location was critical, in large part because of the bookstore. They cared deeply about the demographics of the surrounding area." With leadership from Transwestern, the organization did its own traffic counts – both foot traffic and autos – as part of the evaluation of the preferred site in comparison to the old location.

"In addition to that, donor base is really important," Larry indicates. "[Stacy needed] a convenient place for her board members to come, making sure it was safe, making sure that it was in close proximity to the central business district. Those were huge factors."

A Solution Only in the Shadows

The other obvious reality for any not-for-profit space vision is marketplace price. "There were places from a retail perspective that would have been home runs for a bookstore if money were no object," Larry points out. "We couldn't really be in the heart of the financial district, because our retail rent would have been five times what it is."

While many not-for-profits might be inclined to think of themselves as small fish tenants in a major metropolitan leasing market, the Open Books and CLA space requirement, which ended up at 40,000 square feet, caught the attention of landlords. But the spot that CLA ultimately selected could not have been found without some extraordinary imagination. It was what the real estate industry sometimes calls "shadow space," a property already under lease to another tenant that no longer needed it. "The space never actually came on the market," Stacy confirms. "Word had come down from on high that they wanted to consolidate many of [the previous tenant's] smaller offices into one big one, and this was one of the offices that was going to get consolidated. They needed to vacate. Larry heard about it and said 'You must see this building.' And that was great. They needed to move fairly quickly, it was attractive to buy out of their lease early, and that helped fund our improvements. Everyone came out really well."

The Impact of Surroundings

"We were very mindful that we wanted to put ourselves in the path of progress," Larry states when recalling the case he made for this particular property and neighborhood. "In the final presentation to her board, we said, 'OK, here is what this location, 641 West Lake, is today. Here is what it will be tomorrow: all of the surrounding developments, the five residential towers going up. Google just came into the neighborhood. Here is the impact that is going to have.'"

"The other thing is that it had to be near good public transportation," Stacy adds. An essential feature of the new CLA building is that school buses can pull up right at the curb in front and drop off children going to programming inside. "And it had to have parking," Stacy says with a laugh. "Great: we need to have an awesome location near the heart of the city, with public transportation, and parking. What could be the problem?" The new center has dedicated parking spaces for CLA, Open Books, and WITS, along with a prominent spot for a book donation bin. At other potential spaces, the only place for donations may have been an alley.



Photo: Open Books





Making the Case at the Governance Level

The particular functional requirements posed limitations as the team developed its review criteria. Open Books was a retail operation. A street presence was important not only to the bookstore, but making the commitment viable for CLA.

Stacy knew that a change would have to be compelling. “The new retail space had to be amazing, and it had to connect the Open Books classrooms and offices to the whole Literacenter. That eliminated what would have been great properties because they just didn’t have the street presence for the Open Books part. If the bookstore didn’t come, we would not have been financially able to make this work,” Stacy explains. “We needed Open Books as the anchor tenant. At the time we were going into the market, CLA’s assets over its total history were less than \$1,000, not something a landlord was going to want to sign up. Open Books had an eight-year operating history, a \$1.0 million budget [even then], and solid rental data. And we needed really good retail space for Open Books, because, in turn, I had to convince the Open Books board that we shouldn’t renew where we were. We should take the chance on this new retail space. And therefore the retail space had to be just as good as what we had in River North.”

Stacy was already convinced that a move was the right operational result for Open Books. Larry recalls the former Open Books space, in which the bookstore and the space for extensive student programming were not adjacent. He easily prompts Stacy to provide to me the analysis central to their decision-making.

“It was a wreck,” Stacy begins. “Technically, we had four suites. We had suite 100, which was the corner retail location downstairs. Upstairs, we had 207, 208, and 209, which we had mashed all together. But to get there, you had to exit from the bookstore, walk down the block, go through a secured door and then another door, either up a slow elevator or up three sets of stairs, down the hall, around the corner, through another secured door, and finally you were in the offices. We entertain about 5,000 students per year in our classrooms, and that was the path that every one of them had to take. So imagine getting groups up the stairs, up the very small elevator, with coats in the winter, bags, lunch, all the rest of it and then imagine the hassle of doing it, and the ill will that we developed with our fellow tenants in the building, with kids trooping in and out every day. It was just a really bad situation.”

Stacy came to see that situation as a sort of demonstration lab for board volunteers trying to make the comparison between existing and potential new space alternatives. “If you were a fairly new Open Books board member, all you saw was the huge window expanse, the corner location. It was supposed to be the hottest part of town, even though at that point River North was experiencing a sort of reversal of fortune. In a strange way, it was helpful that [the program areas upstairs] was a difficult space. One of the points we would make is that, ‘Look, you just went through this arduous process of getting to the offices.’”

Stacy recognized that her Open Books board was asking hard, but good, questions from the singular perspective of Open Books. While CLA and Literacenter were a creation of Stacy’s broader passion for literacy, it was technically a separate not-for-profit organization. “I ended up having to answer this question [about the separation] about 150 times,” Stacy says with a happy smile and with obvious respect for the importance of these central governance tenets of her volunteer board members. Another talking point

Signage was another critical criterion. Not only did Open Books require a prominent retail street presence, but the new Literacenter also required it, as a convening venue in a way not unlike a shopping center from a signage perspective. Each of the property’s many new occupants would benefit from visibility to both visitors and a supportive public.

“From a branding standpoint, it is like free advertising dollars,” Larry is convinced. “We could have been in a big development but we would get lost. The signage that was ultimately negotiated wraps around the building. Not only that, but they have a huge banner on the side of the building that can actually be seen from the freeway [the Kennedy Expressway, perhaps the single key artery for Chicago downtown traffic flow].” The building’s identifying signage can also be viewed directly by passengers on Chicago elevated trains, which come right in front of the building at the second-story level.

Using Business Incubators as a Convincing Example

While CLA leadership had to be convinced about the property it selected, landlords would need to be convinced about the Literacenter model, too. Larry believes that public familiarity with what 1871 has achieved was helpful as a reference point for landlords. “Stacy really is a trailblazer and there really weren’t a lot of examples to show to landlords what we were envisioning, what the space would look and feel like. Co-working can be a dirty word in commercial real estate, because there are so many out there. It was important to differentiate and to say that it was more this than that. 1871 gave us a tangible example in our backyard that all Chicagoans are proud of and that is very well known. We used that very clearly in our messaging so landlords would say ‘Ok, I get it.’”

“It also helped with the press,” Stacy feels. “One of the first articles we got was from the Chicago Tribune, and it said this space ‘aims to be 1871 for literacy organizations.’ People in the not-for-profit world said, ‘I don’t know what 1871 is, but I notice that when I say it, people are paying attention.’”



was the benefit that, since CLA would be underwriting much of the occupancy costs to provide the collaborative space to its member organizations, the result would also be what Stacy estimated to be a \$100,000 reduction in Open Books' overall annual occupancy costs, too.

"And finally they were all sold on the idea," Stacy concludes. "The Open Books board did come and tour two properties in detail. As Larry said, we had a final meeting at Transwestern where we walked through the future of the neighborhood, and answered every last question they could possibly [ask]. And that was a good thing. They were very supportive once it got to that stage."

Projecting Occupancy Demand with an Untested Concept

Deciding on the size of any new, long-term space commitment can be daunting. Stacy found it understandably challenging to project the levels of need and enthusiasm from third party literacy organizations for a new collaborative concept in space that did not yet exist. Complicating this further was her vision of welcoming not only organizations with a physical presence, but others that are virtual but identified with the location. A survey of CLA members was done to assess demand. But Stacy found that member organization perceptions of their space requirements changed quickly. Stacy recreates the scene.

"The first thing that happened was that Open Books was no longer the only anchor tenant, because Working in the Schools (WITS) agreed to come and to take a huge percentage of the second floor. That made the whole thing work. WITS is much older than Open Books, it has much more established recognition in the city. Landlords looked at Open Books and WITS and said: 'OK, this really makes sense.'"

Yet Stacy also recognized that the significant take-up of space by WITS created limitations. "That really determined how many other resident organizations we could take. We knew from looking at 1871 and other shared workspaces that a lot of conference rooms was a really important feature." She had concluded that coming to a shared space environment for a few hours as a visiting member or a casual guest can be dramatically different from working there around the clock. "It is very annoying when you are in a shared space and you can't get a conference room, or the Internet is a little bit spotty, or the air-conditioning is too high or too low. It detracts from getting your work done. If you want to do a call or have a quick quiet meeting in many shared workspaces, there are not a ton of choices. That is why we built out

so many conference rooms, including a lot of small ones. But it meant that we had fewer offices for resident members who wanted to come full-time. We assumed from our initial survey that seven offices would be enough for that, and that is all we would have. Everyone else would have a shared or enhanced membership. So we anticipated forty classic members and some number of enhanced members, and we allocated the space that way as far as how many workstations, and how many tables, how many cubes, and so on. But since we had no way to know true demand until the space opened, it is not totally surprising that we turned out to be completely wrong about what actually happened. Demand for resident membership with actual offices in the space turned out to be higher. Much higher."

The Launch

Organizations were accepted on a first-come basis, and within 30 days all dedicated offices were committed. There is an annual fee for membership at each level. Organizations that occupy offices or cubicles also contribute a monthly payment at a price significantly below what they could achieve in the open market.

"Once we had filled up all of the resident member offices, we realized we had kind of stopped ourselves from doing much more with resident members," Stacy recalls. "Until one of our members, Chicago HOPES for Kids, said -- and hurrah for them -- 'We really want resident membership, and there aren't any more offices. But we see that you have all these cubes which you had thought were just going to be semi-private work spaces Can we rent the cubes as our permanent location?' We thought about it and we said, 'Yeah, that makes a lot of sense.'"

Chicago HOPES for Kids took two cubes right away and now has a third. Other groups have followed. Stacy has her eye on the possibility of creating more dedicated office space to fulfill some of those needs, too. "We do have a right of first offer on adjacent space in the building, and a few organizations are exploring that option with us. It may eventually be that that is the next way in which we expand."

"There is also space today that is on the sublease market," Larry elaborates. "So it is not a technical right of first offer, but because we have such a great relationship with the landlord, we [can] look at space that is occupied. Picking the right landlord as a partner is so critical."



Photos: Open Books





Photos: Chicago Literacy Alliance

The Commitment

The present lease is for a term of 12 years, with long-term renewal options. Given the new nature of the Literacenter concept, it might have seemed like a fairly long-term commitment. “Twelve years sounds like a long time,” Stacy concurs. “But from an Open Books perspective, that was one of the best parts. Having to deal with [a lease renewal] every three years meant coping with this every 18 months, because you have to get out in the market and start looking, start assessing, and that is a very long process. To be able to say to my board that we were set for the next 10 years, which is [equal to] the time we have currently been in business, was wonderful. It helped for long-term planning for everything else. So, I don’t think we would want anything shorter.”

CLA signed the lease as the tenant. Open Books and WITS are subtenants. “The other organizations are licensees,” Larry explains. “We were very careful about that, so that we don’t need to go to the landlord for consent for every license that we signed. Think about it as desk-sharing. That was carved out. That diversified our risk, too, having a couple of large anchor subtenants, and then having these other licensees. We were very transparent with the landlord as well in showing the structure. It gave them some comfort too, that one organization was not going to make or break the success of Literacenter.”

The long lease carried other advantages, Larry notes. “As you know, a longer term lease enables the landlord to fund more money, because they are able to amortize it over the term. That was of the utmost importance for both sides, because we did not want the exposure of a build-out that we would have to self-fund.” While many landlords provide money for tenant improvements, the pre-existing character of this space and the uses Open Books and CLA had in mind made funding here important.

Since her team had looked in depth at other properties, Stacy feels that they were better prepared to assess the competitive nature of the costs proposed for this space. “It produced a lot of grey hair, that whole process, but it meant that when we got to this stage we had excellent, up-to-date comparables.”

“What was ultimately negotiated was a full turnkey of the space at the landlord’s sole cost and expense, based on a scope that was mature, but changed quite a bit,” Larry concludes.

Like many constructions, large and small, owners may notice elements that once built they wish could be changed. That takes ongoing attention and, often, added cost. Stacy laughs, remembering changes in scope during the build-out process. “There are two really big rooms that you can combine to make a room that seats over 100 people. There was a large [ventilation] duct that ran through the room. We hadn’t thought about moving it. We didn’t think we needed to. When the build-out was starting to happen, Jimmy [Jimmy Martin, who had just joined the CLA team as facilities director] tested it by sitting in various places around the room. He said, ‘This ductwork, we weren’t planning to move it. It is going to be expensive. But we really do need to move it, because from most parts of the room you can’t see [images from] the projectors, because of it.’ So, we relocated the duct.”

Larry found the landlord’s flexibility throughout the process to be exemplary. “I don’t know that I have ever in my career seen a landlord take the perspective early in the process that this was a true partnership, and that he was not going to nickel and dime, there was no cap. We would talk about why we were asking what we were asking for and ultimately this landlord helped make our vision come true. They had construction in-house, they were able to do all of the work. Today they are very proud of it as well, it is a showpiece for them.”

Vision is about that Fixer-Upper, Too

“The first time we saw this space, it didn’t look like this,” Stacy indicates. “Downstairs, where there is now a big open space with brick and with windows in the front and light permeating throughout, everything was drywalled. The mandate had been to fit as many people into the space as possible in a very linear hallway, in essence. So, when we walked through it the first couple of times, I hated it. In my defense, though, it was hard to see.”

“We had essentially to reloft the building,” Larry agrees. “Part of the charm is the brick and timber loft, but it was really hard to see that.”

While the landlord was providing the work, the organization was also fortunate to have oversight from its own independent construction manager fulltime on the job, starting with a property condition assessment. This was possible through generosity from Transwestern.



The other building that had been under consideration fell to second place in the team's thinking. While Stacy remembers elements of that space fondly, and it benefited from a premier riverfront location, there were design challenges there, too. Moreover, the lease negotiation process seemed elongated, which Stacy and Larry came to learn was for reasons internal to the landlord's investment group unrelated to the proposed tenancy.

"[Here at Lake Street,] we had a ready, willing, and able landlord who could move at lightning speed to put together the right deal. So we basically negotiated two deals at the same time, to have one as a backup."

Stacy is confident that the favorable relationship and terms at the new Lake Street home were also the product of the landlord's belief in the organization's mission. "One of the first things we learned when we toured this space was that the daughter of the landlord had attended an Open Books orientation, and her roommate was volunteering with one of our member groups. So, even early on, there was love and affection about the project. That helps a lot."

Making the Move Happen

One of our favorite questions in visiting not-for-profits having recently undergone transformational facilities projects is how responsibilities were allocated among paid staff and board volunteers, and the time commitment and burdens on both. Stacy quickly embraced this discussion. Literacenter had an experience similar to many, in which time commitments and project tasks and burdens were layered onto already busy people.

"That is an excellent question, and there are two answers. There is the Open Books answer and then the CLA answer. [With] the Open Books board, after they were finally sold their involvement consisted of sitting back and saying 'O.K.' Once they decided that we could do what we wanted to do, all the responsibility transitioned to the Open Books staff to make things happen."

Open Books needed to pack up office property and files, but had the added weight and mass of more than 50,000 books in the store's typical inventory and the numerous bookcases to hold them. The process benefited from Open Books' organizational structure, in which warehousing and logistics were operated from its second location in Pilsen. "Pilsen is where the van lives, and where most of our heavy logistics tend to happen," Stacy explains. "So even though they weren't moving, they had to be involved with figuring out when we could move things. The bookstore team at River North had to be in charge of shutting down the whole store there, getting everything ready to move, and thinking how they were going to use the volunteers. We did this with a full-time project team of two people, part-time help from two more, coordination from leadership, and the rest all volunteer work. We hired professional movers to do the heavy lifting, of course."

Beyond the significant physical transfers, moving the bookstore had challenges common to any retail operation, including preservation of customer goodwill. Stacy reports lots of curiosity, which easily could have led to concern, from regular supporters.

"A lot of hard work went into that. 'Why is the bookstore leaving River North? Are you in trouble? Are you shutting down?' We had all the challenges that come with moving a retail organization, especially when you have been working for six years to build up local connections."

Meanwhile, Open Books maintained its normal, busy schedule of student programming, Stacy emphasizes. "There is never a quiet time. We closed the store about a week before we shut down the classrooms and the offices. Usually, students get to go to the bookstore and pick out a book. So, since the store was already closed for moving, we brought up a whole set of book carts for them to choose from. And we gave them some extra stuff."

Bringing the Facilities Function Onboard

During the lease negotiation process, neither Open Books nor CLA had a facilities director. Once detailed design and construction began, though, Literacenter brought on Jimmy Martin in that role. We asked Stacy several open-ended questions about what he does.

"I love this question. What doesn't he do? We knew we'd signed the lease, we were opening, and we had better hire someone. We essentially convinced Jimmy through a lot of hand-waving and telling him that it was really going to be great, and then he inherited responsibility for everything: the Wifi (probably the most important thing on a day-to-day basis), all the heating and air-conditioning, how to make sure that printing got charged to members' accounts, how to run low-voltage wiring for the digital signs, and so much more. The shared room-booking software that we use? That turned into his project. The billing system? 'Call Jimmy'. He joined us just as the space started to get built out. So he was on site every day with, 'yes to this paint color, no to this piece of furniture, yes, we definitely need to worry about a door here.' Then, when people started to move in, he took over everyday issues like 'this Internet connection isn't working right, members can't get access to the printer, this office needs that kind of a chair,' and that – client fulfillment – is what he is doing now."

Roommates

For a space occupied and shared by multiple organizations in an open-plan environment, you might expect a certain amount of clutter or conflict related to simple things like dirty dishes or the coffee stations; "college roommate syndrome" if you will. Yet walking through the space, you wouldn't know someone else has been here.

Stacy laughs at the analogy. "We have all had that roommate. The trouble spots are always kitchens and bathrooms. People get upset about dirty



Photos: Chicago Literacy Alliance



dishes, which is why we tried to keep the facilities up here in the shared workspace very minimal. Downstairs, where we have a dishwasher, we have a full kitchen plus a lot of tables and chairs. But there is free coffee on both floors, so there are a lot of mugs, and we make everyone aware that if they put those dirty dishes in the sink, they should clean them up”

While there is free coffee, it is intended as a convenience for staff of the resident organizations, which are asked to be mindful of the costs. “We have a catering policy,” Stacy notes. “If you are having more than three or four people, we ask you please to go to Dunkin Donuts and get a box. Don’t go to the coffee machine and give everybody free coffee one at a time, because you will be there all day.”

Resident members, those with permanent office space, have 24-hour access using personal keycards. Other levels of membership provide access during scheduled business hours.

Stacy has found that noise levels, often an issue in open plan environments and especially in repurposed loft spaces, have been manageable. “Some rooms have excellent soundproofing, some do not. If noise is a problem, there are lots of little two-person rooms that you can retreat to. Out in the shared workspace, you see a lot of people with headphones. That is pretty typical.”

By working with the landlord to tailor the building’s normal opening hours, they were able to customize the heating, ventilating, and air-conditioning (“HVAC”) schedule, too, Larry explains. “Typically, most office buildings are 8-6 Monday through Friday, Saturdays 9-1, and that’s it. The problem with that is, Open Books has retail hours that differ, and they envisioned people wanting to use the [office] space on the weekends as well. Tenants are often responsible for after-hours HVAC charges. That can become a very big negotiating point. We were

able to adjust the hours of operation to weekdays 7-6, Saturdays 9-7, which is unheard of, and Sundays 12-6, mirroring Open Books’ hours of operation. You can imagine those bills could have been enormous if we had not anticipated it.” New, self-contained HVAC units to serve only the Open Books and CLA spaces were installed as part of the tenant improvements, both to control operating costs and to adequately serve higher occupancy spaces like the classrooms.

From her incubator and accelerator space experiences in the business sector, Stacy also wanted to feature program opportunities for member organizations. This has already taken the form of regular weekly workshops on subjects from search engine optimization to fundraising, one-on-one mentor office hours with experts in the field, and social events including Beer & Board Games nights, monthly book clubs, and bad poetry competitions. More are planned.

Working with Not-for-Profit Clients

Larry runs Transwestern’s not-for-profit group nationally and spends much of his working time with charitable organizations. We asked him to assess how not-for-profits are different from business clients.

“The stakeholders involved are a big part of it. You have a board that you need to have involved. The consensus building that takes place is different from a for-profit company, where one or two people might make the decision. From a negotiations standpoint, credit can be a huge issue. Non-profits oftentimes don’t have balance sheets that can support the lease commitment. So there is a lot more involved in aligning the right partners, in telling the story, in selling the impact and the mission and why this is more than a real estate transaction, why this is helping to solve a social need.”



James Hagy is Distinguished Adjunct Professor of Law at New York Law School. He also founded and directs The Rooftops Project at New York Law School’s Center for Real Estate Studies. More information about The Rooftops Project and Professor Hagy may be found at www.nyls.edu/rooftops.

Copyright © 2015 Rooftops Group LLC. All rights reserved. These materials may not be quoted, copied, referenced, or reproduced in any way, in whole or in part, whether in printed or electronic format, without express written permission, which may be given or withheld in the sole discretion of Rooftops Group LLC.

The author and copyright holder may be contacted at james.hagy@nyls.edu.

Important Note:

This publication is not intended and should not be construed as legal, tax, investment, or professional advice. It does not purport to be a complete or exhaustive treatment of the topics addressed. The information and views expressed may not apply to individual readers or to their organizations or to any particular facts and circumstances. Sending or receipt of this publication does not create any attorney-client relationship. Engagement and consultation with appropriately qualified, experienced, and licensed professionals should always be sought with respect to planned transactions, investments, and projects.

Views expressed by persons or organizations interviewed or quoted by The Rooftops Project are not necessarily those of New York Law School, its faculty, staff, or students.

Neither New York Law School nor its faculty or staff evaluate, rate, review, or recommend products, services, or suppliers whatsoever. Any particular products, services, or suppliers mentioned are used as examples to illustrate concepts and are for general information only.

No representations or warranties are given whatsoever, express or implied, with respect to information contained in this publication or to its accuracy. Any representations or warranties that might otherwise exist, whether by statute, common law, or otherwise, are expressly excluded and disclaimed.

New York Law School, its faculty, and the authors, editors, and copyright holder of this publication expressly disclaim and do not accept any liability for any loss resulting from errors or omissions contained in, or for following or applying principles or views expressed in, this publication, including without limitation any liability for direct, indirect, consequential, exemplary, or punitive damages or for loss of profits or business opportunity, whether by tort, negligence, breach of contract, or otherwise.

