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Perspectives - Marty Festenstein of NELSON

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Marty Festenstein of NELSON

Interior design professional Marty Festenstein shares insights on the design process for tenant spaces with Professor James Hagy and Rooftops Project team member Jennessy Rivera.

Marty: That’s a great question. The process of capturing information is a process we call programming. That is the gathering of both qualitative and quantitative information about the enterprise, including things like work processes, technology plans, work habits, the culture within the organization. How the organization is now and what factors are driving change will help us understand the evolution that we need to plan for.

We use a series of tools to capture this information. Whether it’s one-on-one interviews, surveys, questionnaires, focus groups, or town hall meetings really depends on the culture. I have learned that questionnaires are only valuable when the questions are few but very pointed and directed. This has been influenced more so in the past five years, with much more thoughtful approaches to inclusion, consensus building, buy in. Personally I find it the most welcoming. I remember 10 or 12 years ago interfacing with the managing partner of a particular firm and we started talking about the engagement process. He said, “I don’t understand Marty, what do you mean ‘engagement process’?” I said, “Capturing the information from your team and staff.” He said, “Oh, there is only one person to talk to here, Marty, and that’s me.” That’s not the world we live in anymore.

RTP: How do you guide the design process with a client, helping a client with choices like the current trend in open plan workspaces versus traditional, individual offices or cubicles?

Marty: I think there are a number of factors driving change in the business community. How does that manifest itself in a workplace design solution? It is going to vary from industry to industry, culture to culture, and the nature of the organization. I do believe that there are some overarching best practices or trends. I am not very fond of the word “trends”, though, because it suggests something that is either short-lived or only influenced by others and has no longevity to it. But the cost of occupancy is a major driver, typically one of the greatest costs to an organization.

I also think that there are significant influences from the number of generations within the workplace today. The way in which certain generations work is very different, Generation X, Y, or millennial compared to baby boomers. How they view technology, whether they work on paper, how they collaborate, are all influences.

Flexibility is probably the word we speak to most. The longer the [lease] term, typically the lower the [annual] cost of occupancy. How do you design a space that over a 10-15 year term allows you to impact the space, and be able to adapt it in real time use, without having to invest huge amounts of capital? It’s very much achievable. In the early stages of your programming and thought development, are you considering how your business is going to evolve over time? What are you doing to allow these modifications to occur easily?

RTP: As part of this process, do you see the client organization in its current space?
Marty: Yes. And one of the first questions in my questionnaire or survey process is “what are the aspects of your current space that are favorable, and have you seen or visited recently a workplace solution that has made an impression on you, and why?” But part of our dialogue also always includes a conversation about where we see their industry heading based upon what we hear from their peers or competition. We usually include tours of recently completed workplace facilities that could help influence or guide some of the decision-making.

RTP: I suppose that the broader the range of questions, the broader the range of possible answers you may get. So, then, how do you go from that to consensus?

Marty: That’s another very good question. In our processes, we believe that when you engage with the non-leadership staff and personnel it is your responsibility to deliver back to the leadership a thoughtful summary of what you heard. And with leadership, you determine the value that these concerns have in the overall solution that we are collectively working towards.

RTP: In a minute, we will ask you about the client who is considering multiple potential spaces. But let’s assume for the moment that you are asked to look at a single potential space in which to provide the client’s design solution. Do you take that client’s input and develop a single design for that space, or do you prepare several alternatives for the client to consider?

Marty: I think offering only one solution is very bad. Providing people choices and options is part of your responsibility as a service provider. Now, it could get exhausting and it could get expensive in terms of your time. But I couldn’t imagine in this day and age not being able to render more than one option.

RTP: How does this translate over to the situation where the client is evaluating more than one proposed property or space?

Marty: When we are considering multiple property options, we take an optimum program and apply it to each one of those spaces. This will render different results in efficiency, opportunity, and cost. The whole reason for creating an optimum program is to be able to look at it consistently and give the client options. With the real estate advisor [that is, the real estate broker], we work so that an informed executive recommendation and decision can be had.

RTP: You are studying the proposed space the client would occupy, but also the building as a whole?

Marty: Yes. There are a number of factors relative to the configuration of each building that can influence this. From one building to the next, you can see as much as 5, 10, or 15% efficiency variation.

RTP: And when you say efficiencies in this context, you mean the comparisons of the number of square feet to provide the programmatic space?

Marty: That’s correct. But the evaluation goes deeper than just the real estate square footage efficiency. Every single building offers tenants different financial packages that could swing a real estate decision very much in one direction or not. I have done many adaptive reuse solutions for turn-of-the-century buildings, positioned next to brand new developments coming out of the ground. Those two solutions each have amazing opportunities, whether they are cost, location, vistas and views, or adjacency to mass transit. They are both viable options for the end-user, but they will render very different efficiencies and cost-of-occupancy factors that have to be evaluated.

RTP: In the typical search, how many buildings do you consider from a design perspective? How many spaces are enough, or too many, to consider in the first pass, the long list? And how many, or how few, is appropriate for the short list that gets detailed attention? You are not doing detailed design for 40 buildings.

Marty: There are many components to the process. First and foremost is a request-for-proposal that is approved by the end-user client. It is sent out by the real estate advisor to maybe 15 or 20 buildings, just to get a sense of what the market is calling for and what kind of negotiating leverage can be created. After thoughtful review, that list is usually whittled down to five options on the high side and three on the low side. Then the architect, or in this case myself and my team, will begin a testing process in which we engage each landlord to study its building on behalf of the end-user. There have been a couple of situations where we have worked with seven or eight options, and that has been completely unnecessary and exhaustive.

RTP: Many landlords are accustomed to this process, but if they know that there is a long list, then it is less inspiring to them, too?

Marty: It is less inspiring, because it suggests to them that their chances are minimized or that their offer isn’t being taken seriously.

RTP: Is it different if the client organization staying in its existing space is still one of the possible solutions?

Marty: It is, and it really depends on the nature of the market relative to that influence. In worse economic times, in my opinion it is going to work to the disadvantage of the other options. One of the things that the current building doesn’t want to do, depending on the size of the tenant, is lose that tenant. So the financial proposal may be likely more favorable where this is a trusted tenant, a proven tenant, and a tenant they don’t want to lose. Better economic times usually work more in favor of the other options.

RTP: At what point would you like to be brought in to assist the client in making the decisions about property selection?

Marty: The earlier, the better, because time is such an influencing component. What I mean by that is how much engagement and consensus-building you want to do with your people. And what levels of approval you need — the local management level, the executive level, or the board level, whether it’s a nonprofit organization or a for-profit organization.

RTP: What lead-time should an organization expect for a search like this? If my organization is presently in a five-year lease, or a 10-year lease, how long before the expiration date should I think about engaging professionals?
Marty: For a small space, I would think that six months might be enough time. If it’s a shorter-term lease, “as is, where is” conditions [where the tenant accepts the existing space without significant change] may be good enough for you because the plan might be temporary. And if you’re taking significant space, say multiple floors of a major building, I would say at a minimum you may need 24-36 months. These days we are interviewing for tenant spaces that don’t have occupancy dates until the first quarter of 2018, essentially two years from now. But I do not think that a smaller amount of square footage necessarily changes the time you start, because we know there are many compelling and engaging organizations that are small in terms of their footprint but are not small in terms of their thinking, their presence, or their position.

RTP: And if the market and available space are tight, even a small space might take a long time to find, select, and negotiate.

Marty: Definitely.

RTP: What if one or more of the options are in buildings that are under construction, or perhaps just in the design and preliminary financing stage and not even underway?

Marty: It can be exciting when your client is in the market looking for space and a new development is a strong option. You have the ability to influence that base building or leased space because your footprint is so large. The impact it could have on the overall development is so significant. Those are really very exciting, because your work has the ability to affect the entire building, whether it be a new office building or an active reuse project. But there it is critical to understand the amount of time it takes for a real estate developer to get a new development off the ground, and the approvals – the city approvals, the state approvals – associated with that, and the financing that has to be approved. To get a new 35-40 story tower building out of the ground in the city of Chicago, as an example, may take 42 months. A 100,000 square foot building may be a three-and-a-half to four-year process from inception to occupancy. So for a tenant considering a building like that, even 24-36 months in advance of the tenant’s planned occupancy date may not be enough time to start.

RTP: If my organization or my space need is limited, should I be mindful that my project may be too small for my designer?

Marty: I think that may be true for some of the biggest design firms, or some of the more boutique design firms, because they are motivated by the boutique nature of the project type they accept. Having worked with two different firms over the past 15 years myself, I would say it’s the midsize firm that would likely never respond “you’re too small for me.”

RTP: Is it possible that my project is an opportunity for a first year designer in a larger firm to get experience?

Marty: Absolutely. As long as the client doesn’t feel that someone is learning exclusively on their project. It could be refreshing to balance that young person’s creativity thoughtfully with the seasoned person.

RTP: Recognizing that there may be variations by market and by individual design firm, can you give us some insight into the typical compensation model for space designers?

Marty: The way the commercial design and consulting industry charge for services is typically a cost per square foot. The days of hourly fees with no maximum are long gone in our industry.

RTP: When designers go to the market to suggest and select construction materials, finishes, and furniture for clients’ projects, do they get a percentage of the items that are purchased? That is, is there compensation from the manufacturer or wholesaler to the designer? And might that affect the independence of the recommendations to the client?

Marty: On the commercial side, 99% of the time that is not a factor. We specify product materials, we typically don’t procure them for the client. I know of one instance of a commercial firm where that is done, but it’s the exception, not the rule.

RTP: This is something that our audience might be surprised to hear, especially if they have had residential experiences.

Marty: The residential side is different. Having spent the first five years of my life working for one of the largest residential decorators in Chicago, it was very much a part of how the residential design community made money. There are other industries that vary. For example, the groups that have a specialization in hospitality [hotel and leisure property] design might have a component of their services tied to the procurement process.

RTP: How do you work with the laws and regulations while still being able to give the client what they want from their space?

Marty: At the onset of every project, we do a code search and bring to the attention of our collective team the factors that are going to impact our ability to realize the final design solution. Life safety, and energy conservation, and a healthy environment are probably the three most important components that the governing agencies are most concerned about. And I’ll underscore life safety. In the City of Chicago, there have been instances where life has been lost because of building access and egress-related accidents, which has an effect on how life safety and egress are viewed.

Code compliance factors are specific to the location. Chicago or New York City, for example, look at not only national or international building codes, but also have their own strict resolution for issues such as egress, safety, or energy conservation. It’s your responsibility as the designer and service provider to be commensurate with code when you are applying the program requirement to the design solution. Now, I will share with you that code is interpretable. So when you are applying for permits, how you interpret that code and how the plan reviewer thinks you achieved it might not always be in alignment. You can avoid surprise by engaging with people proactively and in advance. There are also things like variances [government-granted individual exceptions], where you can present your case. I just did one in Indianapolis last week and it was approved.
RTP: Who is responsible for the permitting processes on a major urban project, the landlord or the tenant?

Marty: Almost never the landlord. The permitting process is usually handled by one of three parties: the general contractor, or if the general contractor has not been selected yet, then the architect or a third-party permit expediter which is a popular concept especially in major metropolitan markets.

RTP: When you say general contractor you mean general contractor for the tenant improvements, and not the contractor for the building core and shell?

Marty: That is correct.

RTP: An exception, where the landlord might be responsible for permitting, is where the landlord is performing the actual construction work?

Marty: Yes, that's right.

RTP: Tell us about that situation, where a tenant is thinking about going into a space, perhaps often a smaller space, where the landlord is offering to do the design and construction. Is there still a role for a designer on behalf of the tenant? What is that role and why?

Marty: I usually don’t see the condition you describe in large projects. You might see it in a project of, say, 5,000 square feet or less. It is called, for lack of a better expression, “turnkey”. In that situation, the landlord is providing the design and construction services. My only issue with that is, depending on who they’re using as the design or general construction firm, they may not be as exposed or familiar with factors that might be important to the tenant relative to the space. I also believe that when your motivation is to get the tenant in with as little red tape as possible, as soon as possible, and with as little expense as possible, there may not be much consideration given to the mission and needs of the end-user as there should be. If a separate design firm is retained to help the tenant’s best interest, it is usually in an advisory role on an hourly basis to be the advocate for the client. This may help clients to understand what they are getting, especially those clients who can’t read drawings. Someone to act as their eyes and ears is very important or they are going to be disappointed at the end of the day.

RTP: In addition to doing the design, you function in a tenant representative or project design capacity during the construction process to completion?

Marty: Yes, but that role has truly evolved. What we offer as project management services during the construction administrative process is site visitation on a weekly basis, answering questions of contractors in the field, reviewing submittals and shop drawings. But by no means are we doing this 24/7, 365 days a year, during the construction project.

RTP: So it must be important to you that your client understands you’re not providing that as a part of your services.

Marty: Our scope is very defined. We’re not providing that equivalent. I worked with one client who wanted eight-hour, five-day on-site representation while the space was being constructed; that is so inconsistent with the services we provide. A tenant architect cannot do it at all, cannot typically provide this level of service. This process has the biggest risk and an associated cost. It’s why in the past 10 or 15 years the additional role of an owner’s representative has become much more popular, much more prevalent. Many real estate advisory companies offer these services beyond the traditional brokerage services. Those people are living every moment of the administration of the construction in a very different way and being compensated for it in a different way. There are also companies that hang out their own shingle as development resources for tenant improvement projects. They are contracted directly with the end-user or the tenant. For that specialized owner’s representation service, the fee might be triple what the architect or designer receives for its role.

RTP: Most construction projects, even tenant improvement projects, close with a list of so-called “punch list” items that still need to be finished even after a project is deemed substantially complete, perhaps even after the tenant has moved in. Are you still creating and participating in developing the punch list as part of your scope of work for the client?

Marty: Yes, we’re still doing the punch list.

RTP: So, once construction of the tenant improvement solution has begun, what are the most likely change orders? And how can they be avoided?

Marty: After 30 years of experience, I can say with great comfort that there are three greatest causes of change orders. One is the lack of appropriate coordination between the architect and other consultants working on the project, that is the mechanical, electrical, or plumbing consultants, the structural engineers, the acousticians, the food service or audio-visual consultants. Second are changes that the client initiates because while the space is evolving they don’t like what they are seeing, and perhaps couldn’t see in the two-dimensional design process. Or a change in their business plan, say they acquired another business and that is going to require a change in the space. Lastly are unforeseen conditions, which is a tough one – to find who was the source of not knowing those unforeseen conditions. In the case of a renovation, or an adaptive re-use project, or a poorly-documented project, unforeseen conditions are an influence on change orders. Those three factors are the biggest.

RTP: We hear a lot about the workforce moving back into urban areas. Do you see that?

Marty: Yes. It’s amazing, for example, the number of suburban firms moving to downtown Chicago right now. It’s like nothing else the City has experienced before. There are also a number of organizations in downstate Illinois or in Wisconsin coming to Chicago. The main driver of this is access to employees and staff, what they are looking for in terms of the energy and vibrancy associated with urban settings, and the adjacency to universities that are downtown. Retention and the ability to recruit are primary drivers in why organizations are moving from the suburbs to downtown urban areas.

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