

The Skylar Building

Baltimore, Maryland

Project Type:
Commercial/Industrial

Case No:
C031009

Year:
2001



SUMMARY

The Skylar Building is a rehabilitation of, and an addition to, an early 20th-century manufacturing and distribution plant that created a 101,000-square-foot office building designed for companies and employees in the high-tech service industries. Located in Little Italy, Skylar is inner-city yet accessible to commuting workers, who benefit from its location in a lively neighborhood that is as active in the evening and on weekends as it is during the day. The developer commissioned a study that led to the building's designation as a historic building, then spun off the resulting tax credits to raise capital for redevelopment. As a result of the redevelopment, the neighborhood has 350 new high-paying jobs, and enough daytime traffic to have justified the city's construction of a new public parking structure, which has alleviated Little Italy's chronic lack of adequate nighttime parking.

FEATURES

- Adaptive use and preservation of a historic structure in Little Italy
 - Use of creative engineering in adding a rooftop structure
 - Transformation of a liability into an asset, stabilizing its neighborhood and creating another connection between the Inner Harbor and historic Fells Point
 - Use of tax credits for historic rehabilitation to finance redevelopment
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SPECIAL FEATURES

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- Use of creative engineering in adding a rooftop structure
- Transformation of a liability into an asset, stabilizing its neighborhood and creating another connection between the Inner Harbor and historic Fells Point
- Use of tax credits for historic rehabilitation to finance redevelopment

OWNER/DEVELOPER

Struever Bros., Eccles & Rouse, Inc.
1040 Hull Street, Suite 200
Baltimore, Maryland 21230
443-573-4000; fax 443-573-4400
<http://www.sber.com>

ARCHITECT AND INTERIOR DESIGNER

Gensler
2020 K Street, NW
Suite 200
Washington, D.C. 20036
202-721-5200; fax 202-872-8587
<http://www.gensler.com>

MECHANICAL/ELECTRICAL ENGINEER

Spears/Votta & Associates, Inc.
7526 Harford Road
Baltimore, Maryland 21234
410-254-5800; fax 410-254-3260
<http://www.spearsvotta.com>

CIVIL ENGINEER

STV Group, Inc.
21 Governor's Court
Baltimore, Maryland 21244
410-944-9112; fax 410-298-2794

<http://www.stvinc.com>

LANDSCAPE ARCHITECT

Lee & Liu Associates, Inc.
638 I Street, NW
Washington, D.C. 20001
202-466-6666

HISTORIC CONSULTANT

Betty Bird & Associates
2607 24th Street, NW, Suite 3
Washington, D.C. 20008
202-588-9033

GENERAL CONTRACTOR

Struever Bros., Eccles & Rouse, Inc.
1040 Hull Street, Suite 200
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443-573-4000; fax 443-573-4400
<http://www.sber.com>

SITE DESCRIPTION

The Skylar Building project is an adaptive use of the former Bagby furniture manufacturing and warehousing facility in the Little Italy neighborhood of Baltimore, Maryland. Little Italy is a 12-block neighborhood east of Baltimore's Inner Harbor, and home since the 1850s to Baltimore's immigrant Italian population. The neighborhood has remained relatively homogeneous, though today its ethnic distinctiveness primarily is sustained by its 22 Italian restaurants. Bound on the west by the Jones Falls Expressway (Interstate 83), which cuts north to south through Baltimore, Little Italy is inland from Baltimore's harbor. With much of Baltimore's inner-city redevelopment efforts going to revitalizing the harborline, Baltimore's Inner Harbor, a premier urban entertainment district directly to the west of Little Italy, and Fells Point, a historic neighborhood that maintains some of the city's colonial and federal past, have bypassed Little Italy as neighborhoods with 24-hour active schedules.

The Bagby Furniture Company built its facility in the southeastern corner of Little Italy starting in 1902. Doing so placed the furniture maker close to port and rail links, and the company provided jobs to descendants of Italian craftsmen. Bagby adjusted to changes in the industry by selling directly to the public, building a two-story concrete block showroom in the 1960s on the three-quarter-acre property. In 1990, however, the company finally closed its business, unable to compete with newer business models of furniture manufacturing, distributing, and selling. The four-story, 110-by-200-foot main structure was typical for a mill building, with brick load-bearing exterior walls, 15-foot-high ceilings, timber columns and beams, and wood-plank flooring. On the east side of the building were accretive steel-clad shedlike additions: three wood-drying kilns, a lumber storage shed, and a rail siding.

DEVELOPMENT PROCESS

For seven years after the Bagby company closed its plant in 1990, the property remained vacant except for occasional use as a short-term warehouse, slipping into further disrepair. In 1993, Patrick Turner, a local developer, announced that he had purchased the building for \$1 million and would rehabilitate it as an upscale apartment complex with 56 units and 117 parking spaces. Though a zoning change from commercial to residential use was necessary, sentiment at first sided with the developer. As Little Italy's leaders and residents scrutinized the plans, however, they found that in order for the developer to gain financing, ten of the units had to be earmarked for lower-income residents. Residents of Little Italy, feeling that the community already was surrounded by subsidized housing projects, began to oppose the proposed development. In 1995, the city's Board of Estimates (i.e., zoning board) approved the development despite four lawsuits filed against the project by residents of Little Italy. A Baltimore circuit judge dismissed these lawsuits in June 1995, but by October 1995, the developer announced that he would not be able to secure financing and that he would not proceed with the planned project.

Meanwhile, Eisner & Associates, Baltimore's second-largest advertising firm, was assembling a development proposal to satisfy its need for new offices that would complement its image as a cutting-edge advertising agency. Eisner identified the Bagby Building as a suitable site and conducted an architectural competition to pursue ideas for the Bagby's rehabilitation. The local office of the Gensler architecture firm proposed the winning scheme. At that point, Eisner partnered with Struever Bros., Eccles & Rouse (SBE&R), a local developer, to act as development manager. One of SBE&R's first tasks was to find additional tenants for the renovated building, as Eisner was planning to occupy only the first two floors of the four-story structure.

In 1997, Michael Lasky, a local entrepreneur, bought the Bagby Building for \$1.6 million, and sold it to SBE&R soon thereafter. Before departing the scene, Lasky changed the name of the project to the Skylar Building, naming it after his daughter. Drawing on its longtime involvement in downtown Baltimore redevelopment, SBE&R was able to secure Sylvan Learning Systems as a tenant for the upper half of the Skylar Building.

This time, there were no objections from the Little Italy community, partly because the city, almost simultaneously, announced that this project would trigger a plan to create more parking in Little Italy, a sorely-needed civic amenity in a community that depended on its restaurant patrons being able to find parking in the evening. This development project would benefit Little Italy not only with workers at Skylar patronizing the restaurants for lunch, but also the parking spaces they used during the day would be vacated for evening visitors to the neighborhood. No zoning adjustments needed to be sought for the new office building.

TENANTS

Skylar's three tenants are Sylvan Learning Systems: Caliber Learning Network, its independent subsidiary; and Eisner & Associates. Sylvan Learning Systems, founded in 1979, is a for-profit direct vendor of educational services, with stand-alone "learning" centers in approximately 900 locations throughout the United States. The company moved its corporate headquarters from Columbia, Maryland, to 92,000 square feet of leased office space in Baltimore's Inner Harbor in 1996, but it now needed additional space nearby. The Skylar Building provides space for 50 Sylvan staff members in 5,000 square feet.

Caliber Learning Network spun off from its parent, Sylvan, in 1998, as a provider of technology-based distance-learning programs for corporate clients. Caliber calls itself a tech company, but not a dot.com company. Together with Sylvan, it leases Skylar's upper three floors—approximately 43,000 square feet for its 150 employees.

Eisner & Associates used the occasion of moving into its new first- and second-floor office/studio space in the Skylar Building to reorganize itself and to change its name to Eisner Communications. Departing from the traditional advertising agency's array of semiautonomous departments, Eisner instituted a project-oriented team approach, assembling multidisciplinary creative teams to manage individual ad campaigns from start to finish, and then reassembling new teams for new ad campaigns. The firm has more than 100 employees, and it developed a studio in the Skylar Building for audio and visual work.

These three tenants have one characteristic in common that makes them well suited for tenancy at the Skylar Building: Their content workers are drawn from the creative professions—Web designers, art directors, copywriters, illustrators—that are frequently attracted to urban work environments.

Creative workers often seek an integrated lifestyle in which the boundaries between work and life blur and in which they can be themselves at work. Part of blurring that boundary means minimizing the time spent in transition between these two modes (i.e., commuting). And while the high-tech tools that they use allow them to telecommute, lessening the importance of location, creative workers usually want to be with other creative workers, networking for job opportunities and gaining creative feedback. This desire makes location of paramount importance. Creative workers organized as project teams, as they are at Eisner, need to meet and occasionally work together, for the duration of the project, at the end of which they regroup to form new teams with different members from within and outside the firm. In this environment, professional relationships are short-term but can be intense, and working conditions need to be optimized to foster team-building. The design of the Skylar Building is intended to provide an environment for creative workers that will retain and attract the best among them.

DESIGN AND CONSTRUCTION

With its wide 20-foot bays, the Skylar Building was well suited to accommodate the open-office, nontraditional space the tenants sought. Its brick and heavy timber construction had an authenticity and a character that upgrades to the property did not obliterate. Instead of sandblasting the century-old brick walls, the construction workers pressure-washed them, preserving the patina of age.

Natural light was among the most desired characteristics for the new space. Sunlight did not penetrate fully the interior of the 110-by-200-foot block of the main building, even though it had 15-foot-high ceilings and large industrial-sized windows. Gensler, the architect, removed a 15-foot slice from the 1960s addition, creating a skylit two-story atrium. Many of the old shed roofs now sport skylights. The accretive additions along the east exterior wall of the main building have been transformed into meeting rooms and informal rooms for socializing. Throughout the first floor, tucked away into former mechanical spaces and into spaces "left over" from the primary uses of space, are retreat areas and small recreational rooms, such as one for Foosball. The kiln was rebuilt as a kitchen, and the old terra-cotta tiles that lined its interior were retained.

Bagby's railway siding, leading to a loading dock, has been converted into an outdoor patio for Eisner's employees. The rooftop adjacent to the mezzanine addition also affords an outdoor space with a wood deck and an expansive view of Baltimore's harbor area.

On the upper two floors, the layout is in a more traditional office design. In order to gain historic tax credits, SBE&R sponsored the designation of the Bagby building as a historic structure, and design and construction proceeded on the assumption that such a designation would be granted. (In October 1998, it was placed on the *National Register of Historic Places*.) Because the building is under the jurisdiction of the Maryland Historical Trust and the National Park Service, the design of its exterior required approval from those agencies. According to the program for the project's design, the exterior needed to be altered by a 10,000-square-foot addition on the roof. In order to minimize the extent of the addition, but at the same time gain the required area, the architect added a mezzanine space on the fourth floor. This was accomplished by removing the roof and the timber columns in the fourth-floor space that were inadequate for support of the new mezzanine above. By reconstructing the roof and column elements in their original materials, and adding a three-inch-thick plank decking for flooring, the design minimized the floor thickness, saving 12 inches in thickness compared to standard construction. The resulting design for the rooftop addition, with a lower roofline than anticipated, was approved.

As in all of SBE&R's projects, the firm's in-house contracting division acted as general contractor. SBE&R got its start as a contractor in 1974, when it was still Struever Bros. & Eccles. Today, the firm bids on and contracts projects independently of its development arm.

FINANCING

A number of financing sources were involved in assembling the Skylar Building's pro forma. Real estate equity was contributed by SBE&R and by Sylvan. Federal and state historic tax credits amounted to \$4.96 million and were converted to equity by Allfirst Bank. Construction and permanent financing was secured through a commercial bank, and the Maryland Industrial and Commercial Revitalization Fund contributed \$1 million in two loans and a grant. To close the gap in project financing, SBE&R deferred development fees until revenues could cover operating expenses; that milestone was reached after the second month of operation.

Since the Skylar Building is located in a state enterprise zone and a federal empowerment zone, property and income

tax credits accrue respectively to the building owner and employers located there. This was a consideration in establishing the lease rates, and for the income tax credits to continue, the tenants must maintain previous rates of job creation and total employment.

Another financial consideration is the tenants' contribution to the repayment of revenue bonds that financed the construction of the public parking garage a block away on the corner of Central and Bank streets. The construction of the long-awaited garage comprising 345 spaces was pivotal in gaining the community's support for the Skylar project.

EXPERIENCE GAINED

- The necessity of working closely with the public is heightened in downtown redevelopment projects. In the Bagby Building project, "the public" included individuals in the Little Italy neighborhood, community coalitions, city and state economic development agencies, and city and state historic preservation agencies. Though SBE&R had previous direct experience with all these entities, new issues arise with each new project. For example, the rooftop mezzanine addition—designed to be invisible from the street—was expected to be approved, based on past experience, without comment. In order to qualify for state and federal historic tax credits, SBE&R needed the National Park Service's approval. However, the park service required that the design go through multiple iterations and presentations before the agency was finally convinced that it met with its guidelines.
- Though economic development agencies can be helpful with the various pieces of a financial package, an inner-city redevelopment project depends on the ability of the developer to be creative in searching out and assembling the proper combination of funding types. State and federal historic tax credits have been available since the early 1970s; they now are considered mainstream sources of development funding. However, state enterprise zones and federal empowerment zones pose a new set of challenges in finding tenants that can take the best advantage of the tax credits these programs can offer. State enterprise zones can reduce the property taxes of the building owner, which then can flow through to tenants. Tenants can possibly benefit from the income tax credits available through both state enterprise and federal empowerment zones. In the case of the Skylar tenants, which mostly employ workers who commute from outside the designated zones, these tax credits are not fully utilized.
- The success of the Skylar Building in attracting tenants that hire "knowledge workers" in the new economy has added to the concentration of technology companies locating in downtown Baltimore. This complements the regional initiative to foster the creation of the Digital Harbor, which attempts to brand the harbor region with a global identity for the high- and biotech industries that are replacing the traditional industries that prospered and then waned. Baltimore's Inner Harbor urban entertainment zone is an international success story, and Digital Harbor extends Inner Harbor's identity eastward along the harborline beyond Fells Point. SBE&R, which, until the Skylar Building, had done no commercial development in the Digital Harbor area—though it had developed residential projects and had acted as general contractor in this area—has now developed eight projects in Digital Harbor, leveraging the experience gained from the Skylar Building.

PROJECT DATA		
LAND USE INFORMATION		
Site area (acres/hectares): 0.74/0.30 Gross building area: 101,000 square feet (9,383 square meters)		
Land Use	Gross Square Feet (Square Meters)	
Office	101,000 (9,383)	
Total	101,000 (9,383)	
Parking (on site): 0 spaces Floor/area ratio: 3.1		
LAND USE PLAN		
Use	Acres (Hectares)	Percent of Site
Building	0.57 (0.23)	77
Parking/driveway	0.10 (0.04)	14
Landscaping/open space	0.07 (0.03)	9
Total	0.74 (0.30)	100
OFFICE INFORMATION		
Net leasable area (square feet/square meters): 98,000/9,104 Percent of net leasable area occupied: 100 Number of tenants: 3		
Tenant Area	Square Feet (Square Meters)	
Sylvan Learning Systems	5,000 (465)	
Caliber Learning Network	43,000 (3,995)	
Eisner & Associates	50,000 (4,645)	
Annual rents: \$21.36-23.75 per square foot (\$230-256 per square meter) Average length of lease: Ten years Typical term of lease: Full service, net of tenant electric		
DEVELOPMENT COST INFORMATION		
Acquisition cost: \$1.6 million Construction costs: \$11.3 million Soft costs: \$5.7 million (including deferred developer's fee) Total development cost: \$18.6 million		
DEVELOPMENT SCHEDULE		
Site purchased: September 1997 Planning started: September 1997 Sales/leasing started: September 1997 Construction started: April 1998 Project completed: August 1999		

DIRECTIONS

From Baltimore-Washington International Airport: Depart from airport westward on Interstate 195. Exit at Route 295 (Baltimore-Washington Parkway) and proceed north toward Baltimore. Remain on the parkway as it becomes Russell Street, and it intersects Pratt Street. Turn right onto Pratt, and stay on Pratt past the Inner Harbor until it intersects South Exeter Street. Take a right onto South Exeter. The Skylar Building is at 509 South Exeter, on the left, and the nearby public parking structure is entered on South Central Street, parallel to Exeter, and a block to the east.

Driving Time: 25 minutes in nonpeak traffic.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.



The Bagby Furniture Company's mill building exterior was retained to gain historic tax credits and to represent continuity of the old and new economies. The rehabilitated exterior signifies the old economy, and the new is represented by high-tech companies that conduct their enterprises in the Skylar Building's adaptively used interior.



The Skylar redevelopment project promotes activity during the day and adds to the vitality of the Little Italy neighborhood, which has traditionally been known as a destination for dining out.



Henry Connolly, Photographer

On the ground floor, single-story sheds had been added over the years to accommodate accessory uses. They were converted into rooms for meetings and socializing for use by the advertising agency that leases the lower two floors of the building.



Harry Connolly, Photographer

Content workers in high-tech industries oftentimes seek an integrated lifestyle that blurs the boundaries between work and life. The interior of the Skylar Building is designed to provide an environment for these workers that will attract and retain the best among them.



A 15-foot-wide slice was removed to create a skylit two-story atrium, bringing light into the interior and separating administrative and studio functions.