

Liberty Sky Harbor Center

Transformation in Phoenix



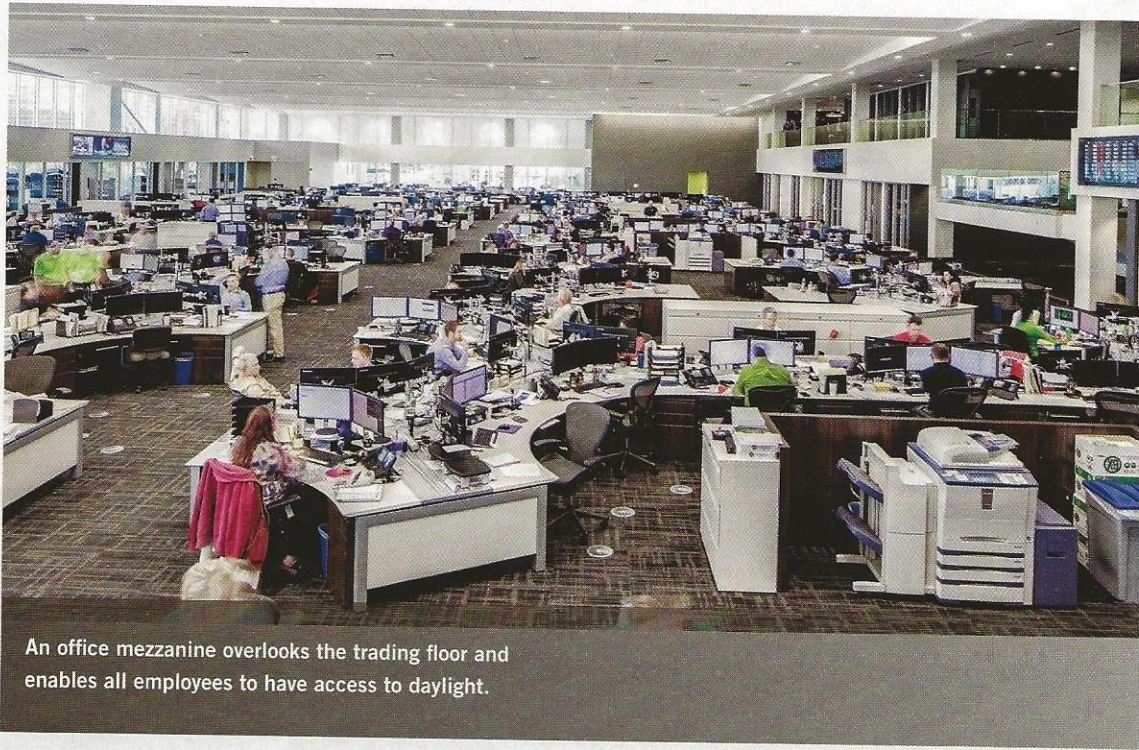
■ By Robbie Tarpley Raffish

Run-down. Obsolete. Outmoded. Those were the kinder words real estate brokers had for the 35-year-old warehouse at 2626 South Seventh Street in Phoenix. The hulking 240,000-square-foot building in the Sky Harbor Airport submarket was long considered a decaying lost cause.

By mid-2012, the building was only 17 percent occupied by a single tenant using 40,684 square feet. When Liberty Property Trust acquired it that September, the new owner added a second tenant that

took 38,000 square feet, bringing the project to 32 percent overall occupancy. Many wrote off the idea that the 8.3-acre location could be transformed into a viable property. But with larger industrial-zoned

John Trotto Photography LLC



An office mezzanine overlooks the trading floor and enables all employees to have access to daylight.

time and under budget, with all of Gavilon's desired design features. The company clearly was pleased with the results; according to **Robert Jones**, Gavilon's chief administration officer, "the entire Opus team focused on delivering the highest quality and most efficient product to satisfy our company's needs. In the end, Opus exceeded our expectations — not our budget or timeline."

Throughout the process, Opus considered all aspects of the building, including how the large trading floor and traditional office space could be used by future tenants as well as the structure's expansion capabilities. Lexington Realty Trust, a single-tenant real estate investment trust, saw the Gavilon project as a strong investment. On December 30, 2013, an affiliate of Lexington purchased the newly completed world headquarters, marking the sixth time Opus and Lexington have partnered. Gavilon leases the building under a long-term (more than 10-year) agreement. ■

Dave Menke is president of Opus Development Company LLC.

For more information (including a time-lapse video of the building's construction): www.opus-group.com/OurWork/Gavilon-World-Headquarters

Gavilon World Headquarters Project Summary

Location	1331 Capitol Ave., Omaha, Nebraska
Type of Site	Urban
Development Type	Infill Development
Transportation Modes	Car, Bus, Pedestrian, Bicycle
Structured Parking Spaces	209
Site and Building Dimensions	
Total Acreage	1.5
Total Square Feet	128,000
Number of Floors	5
Development Team	
Developer	Opus Development Company LLC
Project Architects	Opus AE Group LLC (Architect of Record); Open Studio Architecture (Design Architect)
Interiors Architect	Perkins + Will
General Contractor	Opus Design Build LLC
Leasing Agents	Paul LaFave and Dave Maenner of CBRE MEGA represented Gavilon
Timeline	
Land Acquisition	Fall 2012
Project Completed	December 2013
Project Sold	December 2013
Sales Price*	\$39.1 million
Initial Lease Rates*	Low \$20s/square foot

*According to CoStar



infill locations near the airport scarce and nearly no room for new ground-up development, **John DiVall** and **Megan Creecy-Herman** of Liberty Property Trust saw an opportunity to tap into the growing demand for same-day delivery.

“The Sky Harbor submarket was ripe for this kind of infill redevelopment. Large industrial buildings with ample areas for outdoor storage and parking are rare, but the reces-

sion was still holding people back from this type of investment,” said DiVall, Liberty’s senior vice president in charge of the company’s 3 million-square-foot Arizona portfolio. “It was a poorly configured building for today’s needs, but we looked at the building not for what it was, but for what it could be: a modern, accessible and spacious facility in the ‘sweet spot’ of what the airport market needed. The ability to turn this into a cross-dock facility was key — and something that others did not see.”

DiVall and Creecy-Herman, senior director of leasing and development at Liberty, worked quietly and quickly to snap up the property and sign a second tenant on the day the transaction closed. Even before they were assured of the acquisition, they had begun assembling an innovative team of professionals to redesign and redevelop it.

Assembling the Team

“When considering the project team, it was important to select people who could think outside of the box, folks who could look at industrial development with a modern eye,” said Creecy-Herman. “To make this happen, we knew we would have to tear down some of the building, redesign the site as well as the remaining part of the building and bring it into the new

millennium. That would take a lot of creativity and a fair amount of nerve. It’s exactly the kind of project real estate folks dream of.”

Phoenix-based Deutsch Architecture Group, known for developing projects that seek balance between design, the environment and human use, was selected as the architect of record. Howard S. Wright, a Balfour Beatty company based in Scottsdale and a pioneer in high-performance green building construction with a focus on maximizing energy performance, was chosen as the general contractor. Once the team was assembled, its members began working together to navigate a long series of challenges and obstacles.

The Plan

The goal was to demolish the front of the structure — a decrepit 40,000-square-foot office component — and transform the remaining 191,000 square feet of space from an underutilized front-loaded building to cutting-edge, Class A cross-dock warehouse and distribution space. The ambitious building transformation would increase the number of docks from 28 to an impressive 67 dock doors, with 360-degree truck access and enough outside paved parking for more than 150 trailers.



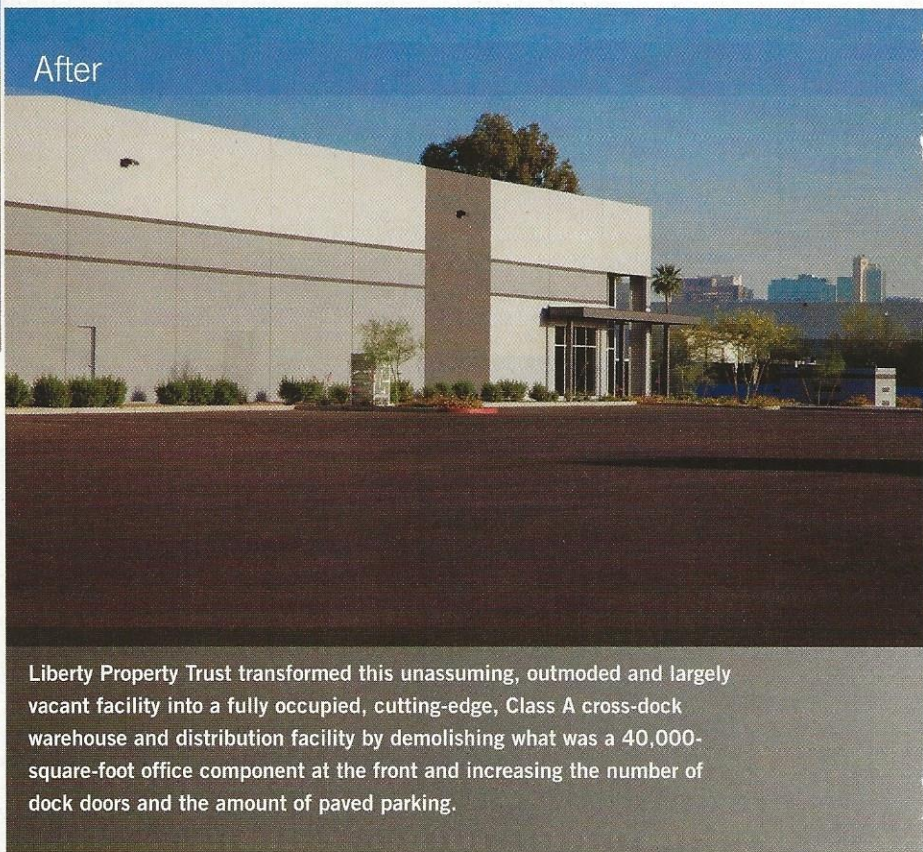
Before

The kicker: it needed to be ready in four months, from start to finish.

“Part of what drove this quick turnaround was that there were two tenants in the building and they had to operate during the entire process,” said DiVall. “We bought the building in September 2012, began redevelopment in January 2013, and promised that by May we would be sweeping away the last of the dust.”

Both tenants remained in the building throughout the entire renovation. Liberty worked in concert with each, staying in close communication so that the tenants would know what to expect and Liberty could work around their deliveries and shift changes. In one instance, Liberty changed over the electrical power on a weekend to minimize downtime. In another, Liberty worked around a tenant delivery when insulation was being installed; construction workers actually helped the tenant unload racking for shipment before continuing their work.

The rapid redevelopment process also required partnership and careful negotiation with the city of Phoenix. Permitting, inspection and coordination were all on a tight timetable. According to Councilwoman **Kate Gallego**, who represents District 8 (in whose district the project is located), “Turning a project from something that was overlooked into something that is now highly desirable and full of tenants is a true infill redevelopment success.”



After

Liberty Property Trust transformed this unassuming, outmoded and largely vacant facility into a fully occupied, cutting-edge, Class A cross-dock warehouse and distribution facility by demolishing what was a 40,000-square-foot office component at the front and increasing the number of dock doors and the amount of paved parking.

Design Challenges, From the Uneven Ground Up

The most visible design challenge involved transforming the existing low-lying, rail-accessed building into one with new dock-high, cross-dock access. The footings on the south side of the building had been formed by river rock, which meant that elevations varied throughout the length of the building. In order to meet the proposed four-foot elevation drop, a new curb had to be installed along the face stem wall along the entire length of the building.

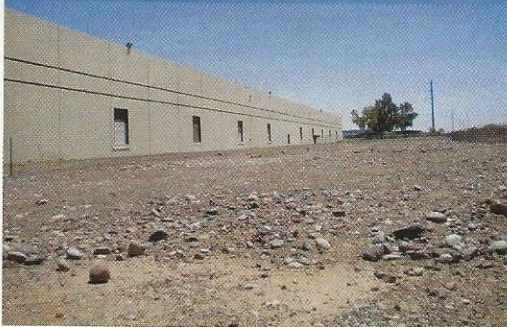
That step presented some unforeseen challenges, including the discovery of debris and cobblestones, adjusting the new loading dock design to accommodate existing tilt wall footings and relocating the roof access ladder.

The second major design problem was less visible. Because the design

utilized the existing electrical service, that service needed to support the two tenants while simultaneously allowing for secondary feeders to be installed for the renovated section of the building.

“Because the service entrance section (SES) — the point where electric service enters the building — was located in the portion of the building that was being demolished, we knew we had to be creative in maintaining electrical service for the existing tenants during construction,” said **David Calcaterra**, principal of Deutsch Architecture Group. “To maintain service, the electrical room was kept in place during demolition while the new SES was installed. The electrical room was foam insulated to withstand the elements. Once the new SES was installed, wire was pulled from the original transformer to the new section and the old SES and wires from the transformer were demolished.”

Before



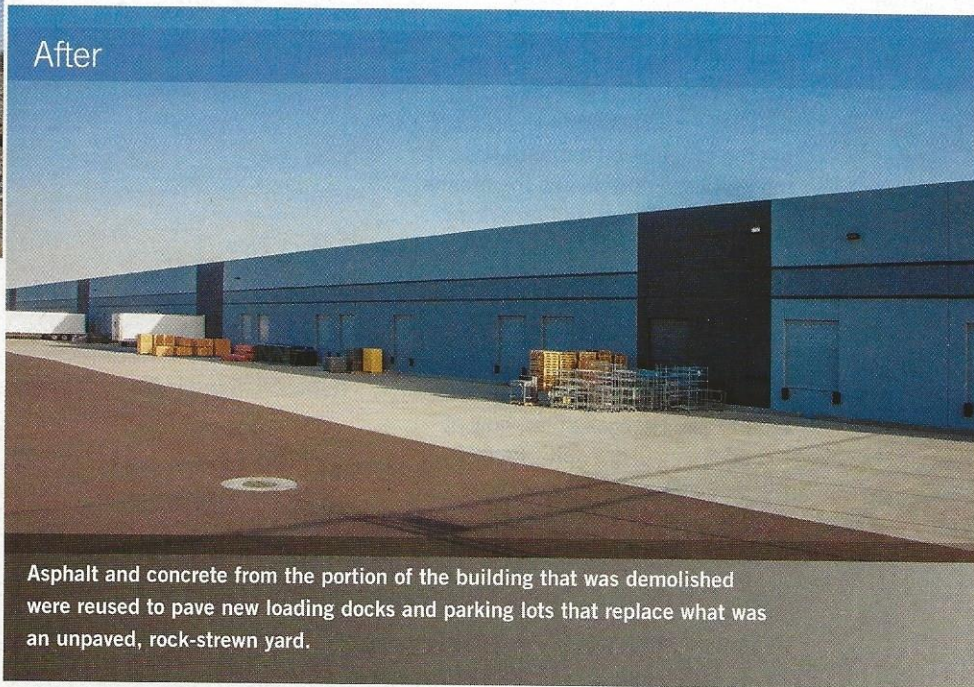
Responsible Demolition and Design

Liberty Property Trust was an early adopter of sustainable design, and DiVall, based in the company's Wisconsin region in the early 2000s, brought his passion for redeveloping buildings with a sustainable focus when he moved to Arizona in 2007. By that time, Liberty already had developed a LEED Gold office building in Scottsdale, its first project in the state, and the company has maintained that commitment to incorporating high-performance elements in nearly every project it has done in Arizona.

"Sustainability is not often top of mind when people talk about industrial," said DiVall, "but it is becoming more important to users and, at Liberty, we also believe it's the right way to do business." While Liberty Sky Harbor Center is not LEED certified, it does employ an impressive number of lessons from other Liberty projects that are. Instead of knocking down the complex and starting from scratch, Liberty reused more than 85 percent of the existing structure. The asphalt, concrete and steel from the portion of the structure that was demolished were recycled.

"One of the main recycling challenges on this project was isolating the reusable materials from the demolished office building structure," said **Stephen Hulston**, vice

After



Asphalt and concrete from the portion of the building that was demolished were reused to pave new loading docks and parking lots that replace what was an unpaved, rock-strewn yard.

president/business unit leader at Howard S. Wright. "We were able to grind up and remove the demolished building slab on grade and [reuse the] asphalt as new subgrade for the rear parking lot and loading dock areas. Incorporating sustainable practices into our project solutions benefits not only the local community, but also provides a significant cost savings to our clients. By avoiding importing additional materials, the team saved more than \$100 per cubic yard of imported fill."

The team's commitment to high-performance building was recognized by Waste Management, which honored the project with a National Sustainability Circle of Excellence Award in 2013.

Fulfilling the Promise

Liberty Sky Harbor Center reopened four months to the day after the start of construction. Four months

later, one year after the acquisition, Liberty added the first new tenant since the renovation was completed, Charter Towne Inc., which leased 44,868 square feet in August 2013.

"When John [DiVall] looked at the property, he had the imagination to see what could be created by redevelopment," said **Bob Crum**, the listing broker at Ross Brown Associates. "The location had pent-up demand for quality distribution facilities with modern amenities. The site had the fundamentals — including great ingress and egress and the opportunity to create 360-degree truck access in place — Liberty has the resources and Megan executed a great plan. Success was no surprise."

The company reached another milestone in February 2014, achieving 100 percent occupancy when Power-One Renewable Energy Solutions leased 105,000 square

feet, more than half of the newly redeveloped building. Power-One, which previously had been occupying the building on a month-to-month basis, now shares the facility with Charter Towne and American Beverage Corp., which has been a tenant in the building since before Liberty purchased the property.

The Next Step

Liberty Sky Harbor Center, now at full occupancy, not only changed the dialogue about a property, it opened up new possibilities for Liberty in the region. Not long after commencing this project, the company announced the development of a much larger one: Liberty Center at Rio Salado, a nine-building, more than 1 million-square-foot sustainable mixed-use business park on 100 acres of land to be developed in conjunction with the city of Tempe, less than three miles from Phoenix.

“The attention we received from brokers and prospects at Liberty Sky Harbor Center was more than enough proof that we were really onto something,” said Creecy-Herman. “This quadrant of the region offers tremendous opportunities for office, industrial and flex space development due to its central location within the Phoenix metropolitan area and its close proximity to Sky Harbor International Airport. Liberty Sky Harbor Center has given us great momentum as we begin development of Liberty Center at Rio Salado in nearby Tempe. It’s going to be a very exciting time for us in Arizona for many years to come.” ■

Robbie Tarpley Raffish, president of a.s.a.p.r., has been a consultant to Liberty Property Trust for 20 years.

Liberty Sky Harbor Center Project Summary

Project Location	2626 South Seventh Street, Phoenix, Arizona
Type of Site	Urban (Less than 3 Miles from Downtown)
Project Type	Warehouse/Distribution Center
Development Type	Infill/Redevelopment, Building Renovation
Transportation Modes	Car, Truck, Airport (5 Miles from Phoenix Sky Harbor International Airport)
Surface Parking Spaces	
Vehicles	200
Trailers	60
Truck Bays	65 Dock Doors; 2 Grade-Level Doors
Site Dimensions and Density	
Total Acreage	8.3
Total Sq. Ft. at Start of Project	240,000
Total Sq. Ft. at Buildout	191,094
Tenants	
Power-One Renewable Energy Solutions	105,000 sq. ft.
Charter Towne Inc.	44,868 sq. ft.
American Beverage Corp.	40,684 sq. ft.
Development Team	
Developer	Liberty Property Trust
Architect	Deutsch Architecture Group
General Contractor	Balfour Beatty Construction
Leasing Broker	Ross Brown Partners
Timeline	
Planning Started	August 2012
Building Acquisition	September 2012
Initial Plans Submitted	October 2012
Approvals Obtained	December 2012
Construction Started	February 2013
Construction Complete	April 2013