



HUDSON VALLEY
PATTERN FOR PROGRESS
FELLOWS PROJECT PAPER

**THE CASE FOR ADAPTIVE REUSE in the
HUDSON VALLEY**

**A White Paper from
2012 Pattern Fellows**

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Promoting regional, balanced and sustainable solutions

The Case for Adaptive Reuse

This project seeks to establish a generic series of actions—The Path to Adaptive Reuse (pp.4-5)—designed to evaluate whether an existing structure is suitable and adaptable for a new type of use in the Hudson Valley. A Case Study demonstrates the use of that Path (pages 6-7) using a real site and a proposed business plan.

Buildings often outlive their original purposes. Adaptive reuse is the process of adapting old structures for purposes other than those initially intended. When the original use of a structure changes or is no longer required, as with older buildings from the Industrial Revolution, architects have the opportunity to change the primary function of the structure, while retaining some of the existing architectural details that make the building unique. Adaptive reuse is also related to the field of historic preservation.

An old factory may become an apartment building. A rundown church may find new life as a restaurant; and a restaurant may become a church. Adaptive reuse reinvents old structures for new purposes to prolong the cradle-to-grave period of a building. This is done by retaining all or most of the structural system and as much as possible of other elements, such as cladding, glass, and interior partition.

Adaptive reuse makes sense for nearly every community, particularly in the Hudson Valley. In local communities, unused schools or Post Office buildings have been adapted for reuse as retail stores or offices. Adaptive reuse, along with Brownfield reclamation, is seen by many as a key factor in land conservation and reducing sprawl. For those who prescribe to the smart growth concept, it is more efficient and environmentally responsible to redevelop older buildings closer to urban cores than it is to build new construction on faraway Greenfield sites.



Newburgh Brewing Co, Newburgh, NY



Keegan Ales, Kingston, NY



The Roundhouse, Beacon, NY



Stone Barns Center for Food & Agriculture, Blue Hill, Pocantico Hills, NY

Why Choose Adaptive Reuse in the Hudson Valley?



Walkway Over the Hudson, Poughkeepsie, NY



Irvington Public Library, Irvington, NY



Lucky Platt & Co Artists Lofts, Poughkeepsie, NY



Family Partnership Center, Poughkeepsie, NY

Throughout the Hudson Valley Region, specifically within cities and urbanized villages, there are hundreds of buildings and structures that lend themselves to this type of development. And there are scores of successful examples (see Photos). However, this type of community revitalization also comes with many issues, barriers and obstacles. Research and interviews with experts and practitioners has identified the following advantages and barriers to Adaptive Reuse specific to the Hudson Valley:

Advantages/Assets


- Large Inventory of well-built structures in the Hudson Valley
- Access to “downtown” and “Main Street” financing incentives
- Potentially low acquisition costs
- Access to large population centers
- Environmental Benefits—reduced waste from demolition of old structures and reduced energy from generating new materials
- Social Benefits—Adaptive reuse repairs the social fabric of deteriorating urban communities
- Access to existing infrastructure

Disadvantages/Barriers

- High cost of development due to governmental redundancies and unnecessary delays generated by labyrinthine processes—taxes, permitting, planning and historic permissions, SEQRA, etc.
- Potentially high construction costs due to common environmental issues (e.g. lead & asbestos)
- Poorly coordinated economic development strategies within municipalities
- Access to public transportation
- Potentially higher design costs
- Existing building design layout and site constraints

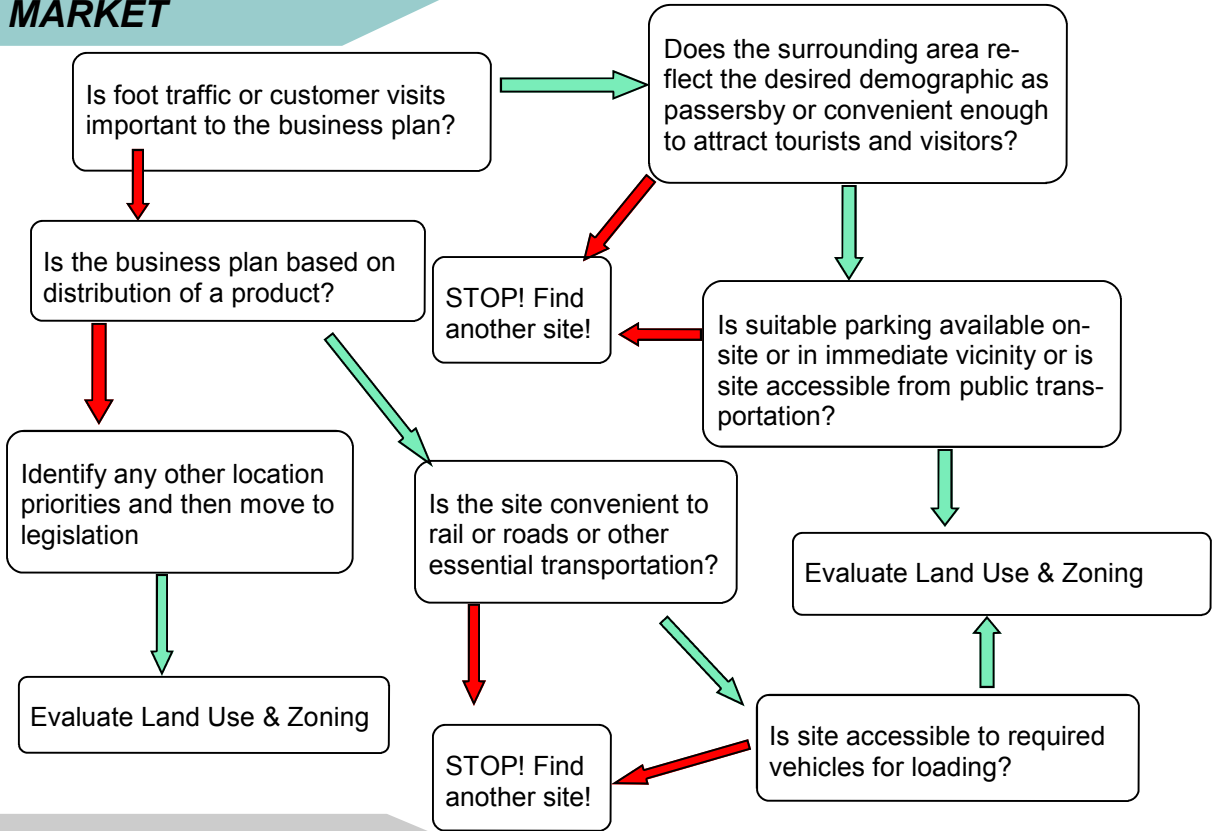
The Path to Adaptive Reuse

Choosing an Adaptive Reuse site for your business location has some unique considerations. The following flow chart will walk you through the general process undertaken required to determine whether a particular site is well suited for Adaptive Reuse for your business plan:

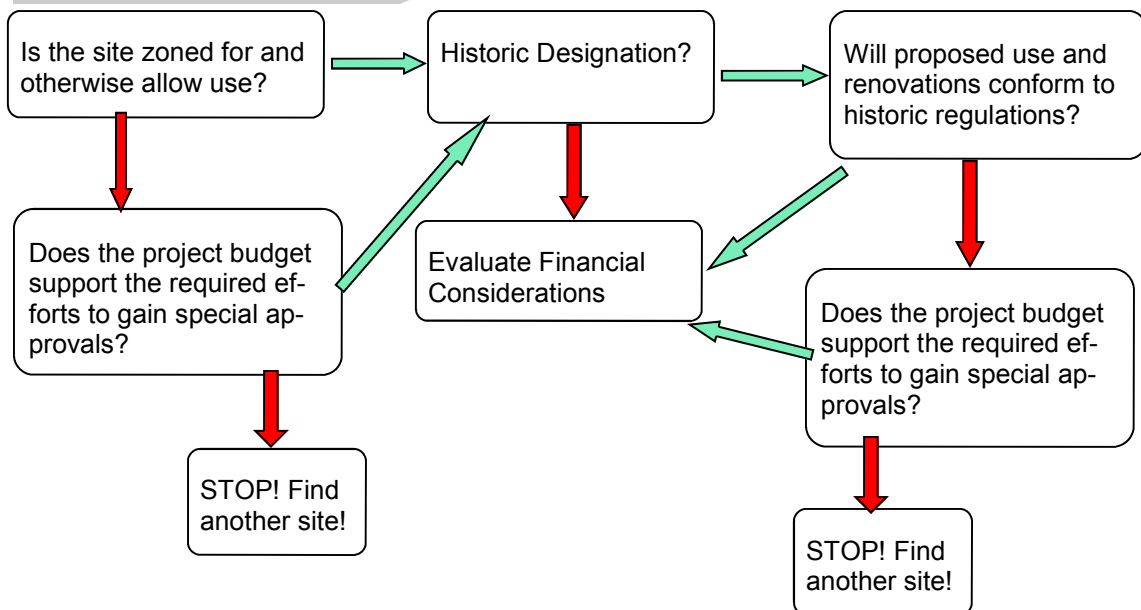
 = YES

 = NO

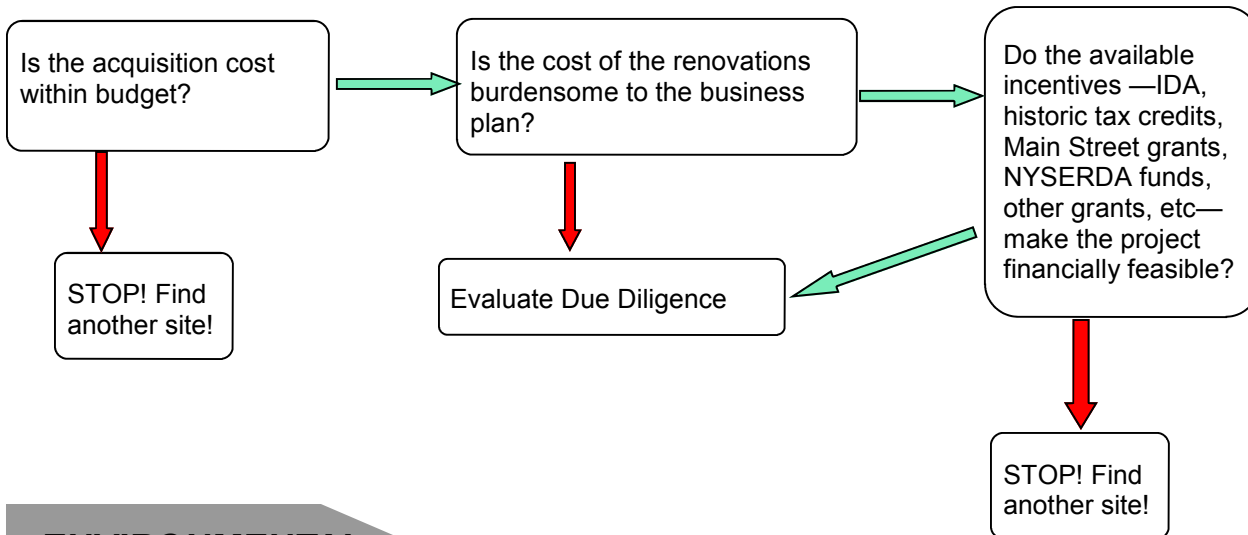
LOCATION & MARKET



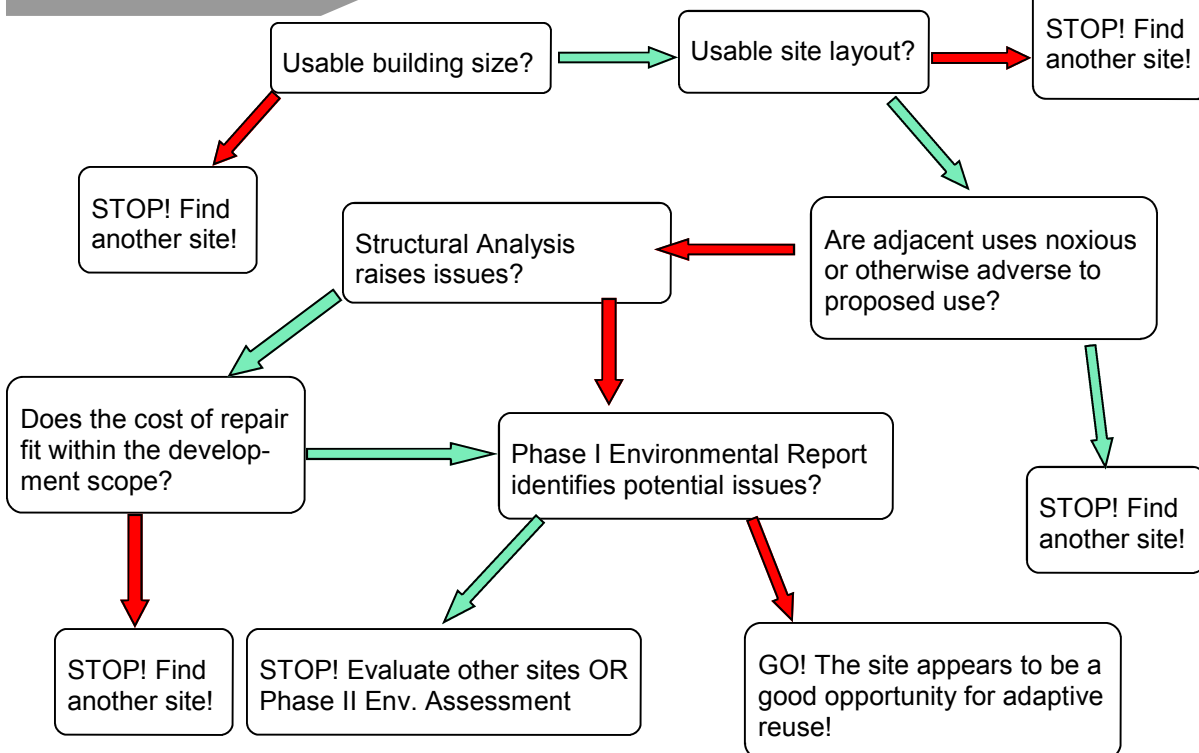
LAND USE & ZONING



FINANCE



ENVIRONMENTAL



LOCATION & MARKET

LAND USE & ZONING

FINANCE

ENVIRONMENTAL

A Case Study in Adaptive Reuse

The Site: 39-47 Railroad Avenue, Middletown NY

Proposed Business Concept: Microbrewery and Brewpub-style Restaurant

The property, which runs along Railroad Avenue between Cottage Street and Montgomery Street, was offered for \$325,000. The property can be acquired for \$250,000. The two story, brick building constructed circa 1900 is roughly 28,785sf situated on just over .5 acres of land. The property was originally constructed as a shoe manufacturing company.



The property is vacant and gutted with municipal water, sewer and natural gas. The site is currently zoned as light Industrial, which allows for a variety of uses including retail and other various commercial, educational, storage or office space, among others through a Special Use Permit with site plan approval. Residential use is not currently permitted. The local government has indicated their support for redeveloped and will work toward resolving zoning or other regulatory issues for an appropriate development plan. The site has off street parking with additional on street and municipal parking. A Phase I Environmental Assessment has revealed no notable issues.

The Development Plan

- The project to be developed includes four main components:
 1. Brewery
 2. Restaurant/Bar
 3. Catering
 4. Rooftop Beer Garden
- A reduced acquisition price of \$250,000 was negotiated with present owner and the following data reflects the estimated cost of development and operations.

Development Budget

	Percent of Total	Per sq.ft.	Total Project Cost	Total Equity	Total Loan
28,785 sq.ft					
Land/Property Purchase Price	10.65%	\$9	\$250,000	\$100,000	\$150,000
Preparation work (Interior Demolition, Exterior Site grading, etc.)	29.83%	\$24	\$700,000		\$700,000
Hard Construction Costs for Brewery and Accessory Uses	0.00%	\$0			\$0
Equipment Costs* Attached	37.69%	\$31	\$884,500		\$884,500
Hard Cost Contingency (10%)	2.98%	\$2	\$70,000		\$0
SUBTOTAL	81.16%	\$66	\$1,904,500	\$100,000	\$1,734,500
Soft Development Costs (Arch/Eng, Building & License Fees, Lawyer, etc.)	8.61%	\$7	\$202,000	\$0	\$202,000
Advertising and Promotion	1.49%	\$1	\$35,000	\$0	\$35,000
Food Inventory	0.85%	\$1	\$20,000	\$0	\$20,000
Liquor Inventory	0.85%	\$1	\$20,000	\$0	\$20,000
Labor Training Costs	1.92%	\$2	\$45,000	\$0	\$45,000
Miscellaneous Expenses	5.11%	\$4	\$120,000	\$0	\$120,000
SUBTOTAL	18.84%	\$15	\$442,000	\$0	\$442,000
TOTAL DEVELOPMENT COST	100.00%	\$82	\$2,346,500	\$100,000	\$2,176,500
				4.3%	95.7%

Income & Expense (Post-Development/Year 2)

<u>Income</u>	Annual Total	<u>Expenses</u>	Annual Total
Public Food & Beverage Sales	\$2,883,325.00	Service Operations (Labor & Operations)	\$2,060,960.00
Beer Distribution	\$200,600.00	Sales & Marketing	\$55,000.00
Private Functions Catering	\$570,000.00	General and Administrative	\$499,150.00
TOTAL INCOME	\$3,653,925.00	TOTAL EXPENSE	\$2,615,110.00
	<u>NET PROFIT</u>	<u>\$1,038,815.00</u>	

The “Path to Adaptive Reuse” flowchart on Pages 4-5 provide an evaluation process used for 39-47 Railroad Avenue. The following analysis of the site and business plan resulted in the project being feasible is as follows:

Market & Location

To understand the current and future market for a business plan and how the potential location fits within to the need to reach the current and future markets requires immediate consideration when seeking an adaptive reuse site. A location that enables visitors to reach the site or enables efficient distribution of a product, where such elements are important to a business plan, must be considered at the start of a search for a site.

The Path Analysis:

- Is foot traffic or customer visits important to the business plan? **YES**
- Does the surrounding area reflect the desired demographic as passersby or convenient enough to attract tourists and visitors? **YES**
- Is suitable parking available onsite or in immediate vicinity or is site accessible from public transportation? **YES**
- In this case, distribution is also essential, so:
- Is the site convenient to rail or roads or other essential transportation? **YES**
- Is site accessible to required vehicles for loading? **YES**
- **CONCLUSION:** Evaluate Land Use & Zoning Considerations

Land Use & Zoning

Municipal, state and federal approvals including commissions, boards, councils and other entities with either actual or advisory jurisdiction can make or break a project. When making a development plan, it is crucial to consider the lead time needed to gain all needed consent and to ensure that the development budget can support that time and potential roadblocks.

The Path Analysis:

- Is the site zoned for and otherwise allow use? **NO** For the proposed use, a Special Use Permit would be required in addition to NYS Liquor License permits. Based on conversations with the Mayor and Economic Development Director for the City of Middletown, we believe that the Special Use Permit may be reasonably obtained. Further, we believe that the criteria for the required state licensing is feasible.
- Does the project budget support the required efforts to gain special approvals? **YES**
- Historic Designation? **NO**
- **CONCLUSION:** Evaluate Financial Considerations

Finance

The financial outlook of any project determines its feasibility. In some cases of adaptive reuse considerable environmental clean up costs or historic regulations can make a project seem infeasible. There are, however, many incentives on a local, state, and federal level that can improve the financial outlook of a project. Seeking these incentives is an essential part of the process.

The Path Analysis:

- Is the acquisition cost within budget? **YES** A net profit is projected based on the negotiated acquisition price.
- Is the cost of the renovations burdensome to the business plan? **NO** A net profit is projected based on the expected development costs, including an additional 10% contingency for unexpected hard costs.
- **Conclusion:** Evaluate Environmental Considerations

Environmental

A building's specific physical conditions such as size, material, structural integrity, and space layout are elements that form a solid foundation for a project's design.

The Path Analysis:

- Usable building size? **YES**
- Usable site layout? **YES**
- Are adjacent uses noxious or otherwise adverse to proposed use? **NO**
- Structural Analysis raises issues? **NO**
- Phase I Environmental Report identifies potential issues? **NO**
- **CONCLUSION: GO!** The site appears to be a good opportunity for adaptive reuse!

Case Study Conclusion

At the conclusion of our Case Study, it was determined that the Railroad Avenue site has features desirable for Adaptive Reuse into a microbrewery/restaurant/event space. Its location convenient to major arterial roads as well as within a central Orange County location in addition ample area parking make it an appealing site. Further, it has no apparent environmental issues and the structure is appropriately sized and constructed to suit the development plan in both cost and aesthetics.

Policy Recommendations

In our process, we interviewed a variety of professionals involved with business development and real estate development in the Hudson Valley. These conversations served to inform the "Path to Adaptive Reuse" process developed on pages 4 and 5 as well as shed light on some of the policies and actions that local and state government can implement to encourage adaptive reuse in the Hudson Valley. Some of those recommendations are reflected below as well as best practices from around the country:

- A NYS Real Property tax law providing for taxation over 10 years based on cash flow rather than after-rehabilitation property values would encourage business start ups in adaptive reuse buildings.
- Encourage adaptive reuse projects to be mixed income and mixed use through zoning incentives and other regulatory tools.
- Municipalities with vacant sites in need of redevelopment should focus on "market readiness" with respect to ensuring site's access to municipal infrastructure and amenities as well as assisting with the existing incentives from organizations and entities such as NYSERDA and tools such as the Excelsior Tax Credit Program.
- Educate communities on the benefits of adaptive reuse and the tools that support it, such as PILOTs (Payment in Lieu of Taxes)
- Relax parking, loading, and other requirements in existing zoning regulations which are usually difficult to meet in denser urban areas, but require the maintenance of any existing capacity.