Bell Works | Large Suburban Office Reuse

Holmdel, NJ

Office to Mixed-Use
Conversion Type

Holmdel, NJ
Location

472 Acres
Site Size

1.9M SF
Total Space

2014
Year Completed

$200M
Total Project Cost

Bell Works demonstrates how a historically significant, large-footprint, suburban building can be successfully reused to provide mixed-use space and catalyze adjacent new development.

HISTORY AND ADAPTIVE REUSE

Constructed in 1962, The Holmdel Complex was designed by Finnish industrial architect Eero Saarinen, known for iconic structures like the St. Louis Arch and Washington Dulles Airport. The facility was commissioned by AT&T's R&D organization, Bell Labs, and was the site of numerous scientific breakthroughs, including the microwave oven and cell phone. AT&T spun-off portions of its R&D capacity, including Bell Labs, in 1996. The new company, Lucent Technologies, utilized only 20% of the building's original capacity in 2006, and it was subsequently sold to Somerset Development in 2013 for $27 million.

In 2016, Somerset Development redeveloped the property, transforming it from a vacant R&D facility to a mixed-use, high-quality office destination. This renovation involved transforming the 1.9M SF of vacant office and lab space to retail and commercial uses.

OPPORTUNITY

Preservation and redevelopment of the 1.9 million-square-foot Bell Labs building was not the only priority of Somerset Development. The 472-acre site was very attractive to developers because it offered significant development potential for ancillary residential development; Somerset originally envisioned more than 700 residential units surrounding the original building.

In 2006, Lucent went into contract with a developer that intended to demolish the building, which triggered pushback from historic preservationists and the community. After the initial plan to demolish the building was rejected, a charrette was organized to convene the community, planners, and historic preservation advocates to discuss potential future uses for the site. The outcome of this effort was a report outlining a vision for the site that harmonized with both historic preservation goals and community preferences.

CHALLENGES

Redevelopment of the Bell Labs building posed multiple challenges. The building had accrued significant **deferred maintenance**, and its **energy costs** were high due to antiquated systems and infrastructure. Additionally, its location, over an **hour's drive** from New York City, made it unattractive to companies looking to relocate near the city.

Many developers attracted to the site due to the large **property size** were deterred by the Town of Holmdel's reluctance to **rezone** the site or allow meaningful housing development. The town wanted to preserve the physical character of the site and opposed dense residential development due to the perceived burden on infrastructure and negative impacts to existing home values.

Combined, these challenges increased redevelopment costs, reduced site revenue potential, and extended project timeline.

SOLUTIONS

Historic Tax Credits were utilized to offset high redevelopment costs. Somerset secured $32 million in federal historic preservation tax credits to fund a portion of costs and increase project feasibility. In addition to historic tax credits, Somerset secured an additional $15 million in New Jersey Infrastructure Tax Credits and $220 million of bank construction financing.

A mixed-use, amenity-rich program helped increase the appeal of a suburban site. Bell Works offers a range of amenities, including gyms, food spaces, a bar, and outdoor spaces that appeal to employees and increase location attractiveness to prospective tenants. Businesses with offices in New York City opened additional offices in Bell Works to segment their operations and provide a new and engaging space for their employees. Despite its large footprint, Bell Works also caters to small businesses with furnished coworking spaces, which further broadens and diversifies the tenant profile.

Interior design elements and compact floor layouts were reconfigured to match smaller, urban buildings. The appeal of Bell Works to businesses was limited by its suburban location and large floorplate. Somerset overcame this challenge through a "Metroburb" layout, which incorporated the scale and program mix of an urban streetscape, including small scale retail and commercial space, within a large suburban building footprint. In doing so, it defined a new suburban office typology that recreated appealing elements of urban density in a large building.

Building trust with the community was important. Over time, the Bell Labs site became a part of Holmdel's identity. It took years of trust building before the Town ultimately grew comfortable with and approved Somerset's redevelopment plan. Maintaining a good relationship between the municipality and the Developer is fundamental to promoting a collaborative environment that supports both development and community needs. In addition to the primary reuse project, The Somerset-Holmdel partnership also resulted in a 99-year, zero-dollar ground lease for a public library branch at Bell Works, creating community value and fostering ongoing project support.

A portion of the site was sold to finance redevelopment. To help finance the project, Somerset subdivided and sold 237 acres to Toll Brothers, a home builder.

So far, Toll Brothers has built roughly 40 single-family homes and 185 townhomes to the north of the building. This arrangement helped Somerset finance the project and balanced the Town's desire to exclude dense residential development from the site.

LESSONS LEARNED AND KEY TAKEAWAYS FOR CLARKSBURG

Bell Works has many parallels with the former Comsat building in Clarksburg, Maryland. Both buildings are of historical significance, have big footprints, and are situated on large parcels adjacent to major highways. Additionally, the appeal to developers of both sites was largely driven by residential development potential rather than preservation of the existing structure.

In the case of Bell Works, a large advocacy effort and municipal support were required to achieve preservation goals. A diverse range of funding sources was also needed to overcome high redevelopment costs.

While the original community vision for the Bell Works site presented a financial feasibility problem by excluding housing, there has long been acknowledgement by Montgomery County and the community that the adaptive reuse of Comsat should have a significant residential component in or around the historic building. This housing component gives the Comsat redevelopment a built-in source of revenue that was more difficult to achieve for Bell Works.

Regardless, redevelopment costs remain the greatest barrier to feasibility, and a development team will need to leverage development incentives to support feasibility. Existing development incentives may not be sufficient to support construction, and the County may need to consider additional ways to offset costs through tools like tax abatements, tax increment financing, direct subsidy, and other methods.

Chappaqua Crossing | Architecturally Significant Suburban Office Reuse

Westchester County, NY

Office to Mixed-Use
Conversion Type

New Castle, NY
Location

114 Acres
Site Size

690,000 SF
Total Space

64 Units
New Apartments

2018
Year Completed

$21M
Residential Component Cost

Chappaqua Crossing transformed an iconic, former office headquarters into a mixed-use community with ancillary new development anchoring a new town center.

HISTORY AND ADAPTIVE REUSE

Chappaqua Crossing is a 690,000-square-foot Georgian-style brick structure that was originally built in 1939 to serve as the headquarters for Reader's Digest. Prompted by shifts in the publishing industry, Reader's Digest consolidated its workforce and sold the property in 2004. Summit/Greenfield Partners acquired the entire parcel with the intent both to redevelop the historic building and support new development on the 114-acre site.

Since groundbreaking in 2016, the site has transformed into a mixed-use community supporting office, retail, civic, and residential uses, designed within a pedestrian-friendly suburban environment. A portion of the original structure—The Cupola Building—was converted to 64 mixed-income residential units, while the remainder of the building was redeveloped into 490,000 square feet of traditional and medical office. In addition to adaptive reuse of the original structure, 120,000 square feet of new development has occurred adjacent to the historic building and supports a range of retail uses, including a 40,000-square-foot Whole Foods Market. A total of 91 townhomes are also under development at the edge of the site.

OPPORTUNITY

Preservation and redevelopment of the 690,000 square-foot Cupola building was the primary objective of Summit/Greenfield Partners. However, much of the 114-acre site was undeveloped and provided additional opportunities for new development. The historic building itself had been well-maintained since construction, which reduced construction costs for adaptive reuse. Even for the standards of the day, the building utilized high-quality

materials, many of which are reflected in its memorable design and features. The building's condition, materials, and layout helped to simplify the process and reduce the costs of redevelopment and reuse.

Additionally, the county's high median income, top-tier public schools, and proximity to New York City, provided a significant market opportunity for apartment development. A shortage of retail in the town of New Castle also offered potential for a successful neighborhood center. This combination of factors provided the opportunity for Chappaqua Crossing to efficiently redevelop the historic structure and support a range of different uses across the site.

CHALLENGES

The Cupola Building redevelopment was long and controversial. The Town rejected the development team's initial proposal for 350 units of age-restricted housing, citing a potential strain on tax revenue. Dozens of subsequent site plan proposals were rejected by the Town, and disagreements between the developer and the Town of Newcastle persisted for over 12 years before ground was broken in 2016. In addition to municipal resistance, community members mobilized to oppose redevelopment of what they considered to be a historic landmark.

SOLUTIONS

Compromise and collaboration were essential to plan approval. Negotiations between the developer and the Town of New Castle lasted for over 12 years because an agreement could not be reached regarding the plans for the site. Conversations with the town began to advance when the residential program size was reduced and a mixed-use component was added. Additionally, developer concessions, including the funding of over $4 million in nearby road enhancements and effective transfer of an existing 400-seat auditorium to the town, improved municipal support of the redevelopment.

Leveraging available incentives helped preserve developer return. The project utilized $8 million in funding through the New York State affordable housing revenue bond program and $5.4 million through federal 4% low-income housing tax credit (LIHTC). Westchester County also provided additional funding that helped fund the $21.2 million residential development in the Cupola Building.

Portions of the site were sold to provide developer equity and achieve mixed-use program. Summit/Greenfield Partners engaged Wilder Balter Partners through a 99-year lease to deliver the residential program in the historic building. The developer also sold 31 acres of the site to national homebuilder Toll Brothers for construction of 91 townhomes. Both transactions advanced site plan objectives while supporting development feasibility and developer return thresholds.

LESSONS LEARNED AND KEY TAKEAWAYS FOR CLARKSBURG

Chappaqua Crossing is a model for adaptive reuse of large, historic buildings that previously served a large corporate tenant, and the project has many parallels with the former Comsat building in Clarksburg, Maryland. Both buildings are of historical significance, have big footprints, and are situated on large parcels adjacent to major highways. Acquisition of both sites was also driven by the potential to support additional new development on the parcel.

In the case of Chappaqua Crossing, a drawn-out approval process outlasted the administrations of four New Castle supervisors and resulted in millions of dollars in planning costs and foregone revenue. Ultimately, the promise of a grocery store, mixed-income housing, and developer concessions gained traction with a new administration. Convoluted planning processes and disparate town priorities contributed to a difficult and costly project. Montgomery County would be well-positioned to avoid similar obstacles with the long-term redevelopment of the Comsat site by continuing to establish and formalize priorities for the site that reflect both community and county objectives and persist despite leadership changes.

The project also used a variety of state and federal affordable funding sources, which provided the majority of residential project funding. The Cupola Building was conducive to conversion because of the building's layout and condition; redevelopment costs for the Comsat building may be notably higher and will need to leverage additional sources of capital or cost-saving measures to adequately offset construction costs. Montgomery County may need to consider additional ways to offset costs through tools like tax abatements, tax increment financing, direct subsidy, and other methods to advance redevelopment.

Judson Mills | Sprawling Industrial Conversion

Greenville, SC

Manufacturing to Mixed-Use
Conversion Type

Greenville, SC
Location

36 Acres
Site Size

850,000 SF
Total Space Redeveloped

204 Units
New Apartments

Ongoing
Year Completed

$100M
Project Cost to Date

Judson Mills converted a sprawling manufacturing epicenter into a mixed-use district with significant recreational and entertainment offerings to complement a bold residential program.

HISTORY AND ADAPTIVE REUSE

Located in Greenville, South Carolina, Judson Mills was once one of the largest textile mills in the world. Built in 1911, it underwent multiple expansions through 1990. The multi-story mill building covers nearly 850,000 square feet of space and is located on 36-acres of land. The mill remained in textile production for Deering-Milliken until it officially shut down in 2015.

Belmont Sayre Holdings acquired the building in 2017 with the intent to transform the site into a mixed-use district. Adaptive reuse of the historic mill building created more than 200 apartments, 225,000 square feet of office, and 195,000 square feet of retail and entertainment space.

Redevelopment of the large mill and surrounding land was done in phases:

- **Phase 1** of the project, which included Judson Mills Lofts, was completed in 2021.
- **Phase 2**, formerly a warehouse, is now home to a climbing gym, a local non-profit, a community innovation hub, and a coffee shop.
- **Phase 3** added more commercial space and now supports a variety of breweries, bars, and restaurants.
- **Phase 4**, which is anticipated to deliver additional commercial and residential uses, is planned to begin construction in 2025.

OPPORTUNITY

Judson Mills presented a compelling opportunity for the developer. The firm had extensive experience renovating large, historic buildings, including the second phase of the formerly industrial American Tobacco Complex in Durham, NC. Judson Mills provided a similar opportunity to adaptively reuse an aesthetically striking facility for a variety of interconnected uses. The 36-acre property also allowed for additional development surrounding the mill, including entertainment and green spaces that would complement residential and office. The building's large scale combined with its relatively good condition offered potential to deliver a unique mixed-use product divergent from other offerings in the Greenville market.

Located in an Appalachian Regional Commission Distressed Area, with a poverty rate of over 44%, the project was also eligible for a variety of additional tax credits that would improve adaptive reuse feasibility and support local economic activity. The attractive scale of the historic structure combined with the development team's experience and the availability of numerous funding sources positioned the site strongly for adaptive reuse.

CHALLENGES

Throughout its century-long operation, the mill underwent numerous process innovations and expansions, which obscured its original architecture and posed challenges in navigating the expansive 36-acre campus. These additions also made it difficult to integrate all the uses envisioned by the development team for the site and necessitated lengthy negotiations with the National Park Service (NPS) in advance of structural changes to preserve eligibility for historic tax credits. Proposed demolitions within the building were required to be historically sensitive, minimally impactful, and visually attractive.

The design and layout of Judson Mills also presented various challenges for residential conversion. The former mill structures were not energy efficient and required renovations to improve the energy-efficiency of the building to make it suitable for residential uses. In addition, the building's large floorplate posed a challenge to natural light requirements for residential units. Thick, multilayer wood floors were optimal for mill uses, but required significant acoustic remediation for apartment uses.

In addition to the building's structural challenges, the local market environment also posed risk to the project. Greenville is a metro area of fewer than a million residents, and the scale of adaptive reuse proposed for Judson Mills was significantly larger than most projects in the area. Initial lease-up and ongoing occupancy across uses were uncertain, creating significant concerns about the project's financial viability and long-term sustainability.

SOLUTIONS

Leveraging available incentives helped preserve developer return. The adaptive reuse of Judson Mills employed a variety of incentives, some targeted at renovating historic properties and others aimed at revitalizing distressed communities. Upon purchasing the building, Belmont Syre initiated the process of adding Judson Mill to the National Register of Historic Places, a requirement for obtaining federal historic tax credits. The project also received a $16.5 million funding injection through New Markets Tax Credits (NMTC) from The Innovate Fund, which aims to deploy capital to underinvested communities to promote the creation of quality jobs. Judson Mills has been The Innovate Fund's largest investment to date, an amount based on the more than $100 million of anticipated investment catalyzed by the completed project. Truist Community Capital facilitated the NMTC equity, while Reinvestment Fund and CommunityWorks, both certified Community Development Financial Institutions (CDFIs), extended low-cost construction loans. CDFIs are financing institutions that help promote access to capital and local economic growth in low-income communities where investment capital is scarce. Beyond NMTCs, the project leveraged federal and state Historic Tax Credits, alongside state Textile Revitalization Credits.

Creative redesign was necessary to convert from manufacturing to residential. To address large floorplates that challenged residential conversion, the architects incorporated internal courtyards for lightwells. Old floors that transmitted sound were covered to improve acoustics and make suitable for residential use. These renovations added cost to the adaptive reuse and were done in tandem with the NPS to ensure continued eligibility for Historic Tax Credits.

Understanding the history of the building and devising creative solutions was fundamental to navigating the adaptive reuse process. Judson Mills endured multiple renovations and additions over the years, not all which were architecturally or historically significant. The various materials and ages of structures complicated the process for historic designation and subsequent renovation. The developer strategically preserved portions of the structure and negotiated with NPS to demolish additions that were not of historic significance. Belmont Sayre removed certain walls that weren't part of the original structure, which helped to improve the connectivity of the building, bring in more natural light, and showcase the original structural elements of the mill, while meeting NPS preservation requirements. Among the largest demolitions was a 30,000-square-foot power station and a 16,000-square-foot addition, both of which were added in the second half of the building's life. The demolitions required coordination and approval from NPS to ensure continued eligibility for the tax credits.

Providing space for local businesses and community initiatives helped broaden appeal and improved marketability. In addition to standard office and apartment development, Judson Mills also supports a range of community-focused and recreation uses. Feed & Seed, a non-profit focusing on food security, occupies 18,000 square feet. A rock-climbing gym, indoor playground, and collaborative office space also complement traditional development. The wide range of retail uses provides value-add to residents and office workers while diversifying the tenant base and reducing leasing risk.

A knowledgeable developer with adaptive reuse experience streamlined redevelopment. The developer has extensive experience renovating historic properties in economically and environmentally challenged areas. In addition, their experience balancing a variety of funding sources and obtaining historic designations helped streamline the reuse project. A deep understanding of financing tools is critical for adaptive reuse projects that rely on disparate sources of funds with restrictive terms.

A phased approach to redevelopment supported absorption and guided future buildout. Residential development served as the first phase of the Judson Mills project, creating a foundation of increased density to drive demand for future uses, including gyms, community spaces, restaurants, and retail. A phased approach allowed the market to absorb the large development in manageable pieces, ensuring a smoother transition and mitigating the risks associated with leasing a large, multifaceted project all at once. Additionally, it provided valuable insights into market preferences and demand, allowing adjustments and enhancements in later phases to align better with what proved most effective and appealing.

LESSONS LEARNED AND KEY TAKEAWAYS FOR CLARKSBURG

Both Judson Mills and Comsat underwent expansions to their original buildings. These additions, typically lacking historical or architectural importance, may be subject to demolition while remaining eligible for historic tax credits. In the case of Judson Mills, navigating the demolition of less historic portions entailed a lengthy negotiation process with NPS. It is likely that adaptive reuse of the Comsat building will also require strategic planning with regard to building additions with less historic significance.

Judson Mills was redeveloped by a firm that was knowledgeable about the adaptive reuse process and the range of available incentives to support feasibility. While the Clarksburg market is strong, there may be additional sources of funding that are still needed to make the redevelopment of the Comsat building feasible, in addition to historic tax credits. Clear and ongoing communication between the development team and the county will help to ensure that the development team can efficiently leverage available funding sources to improve feasibility.

Structurally, both Judson Mills and the Comsat building served manufacturing uses and were not originally developed to serve residential uses. Large floorplates necessitate light wells for conversion to residential, which will increase adaptive reuse costs in areas requiring additional light. However, there are several potential approaches to building cuts that increase light and minimize impacts to the historic structure. The development team will need to balance the benefits of residential conversion in certain areas of the structure with the additional costs to adapt building features.

Given the size of the Comsat building, a phased approach like that taken by Judson Mills may improve absorption by first establishing residential density that will feed subsequent phases of retail and commercial uses. Given significant historic and projected population growth in Montgomery County, residential development is in high demand and should be prioritized for early phases of Comsat redevelopment.

Park + Ford | Brutalist Office Complex Conversion

Alexandria, VA

Office to Mixed-Used
Conversion Type

Alexandria, VA
Location

4.6 Acres
Site Size

415,000 SF
Phase 1 Space

435 Units
Phase 1 Apartments

125,000 SF
Phase 2 Space

70 Units
Phase 2 Apartments

Ongoing
Year Completed

Park and Ford repurposed an outdated office complex for a highly amenitized apartment community.

HISTORY AND ADAPTIVE REUSE

In 2018, a joint venture between USAA Real Estate and Lowe, a national real-estate developer, acquired the Park Center office complex in Alexandria, VA for $15.2M. The Brutalist office complex offered 540,000 square feet across three buildings targeted for adaptive reuse.

The first phase of renovations for the Park Center office complex was completed in 2022. The resulting project, Park and Ford, produced 435 contemporary apartment units and a range of amenities in two of the three buildings in the complex. The remaining structure, called the "King" building due to its location on King Street, was not renovated in the first phase because it remained fully leased. Lowe had originally planned to renovate the King Building's office space once the current lease ended. However, the building is now planned for residential conversion due to low post-pandemic office demand.

OPPORTUNITY

Park Center presented an opportunity to convert outdated and unmarketable office space to highly sought-after apartments. Only 80 feet wide, the existing structures were shallower than most office buildings and well-suited for residential conversion. High office ceilings also provided the benefit of more spacious units, better marketable to the growing population of young professionals in the area.

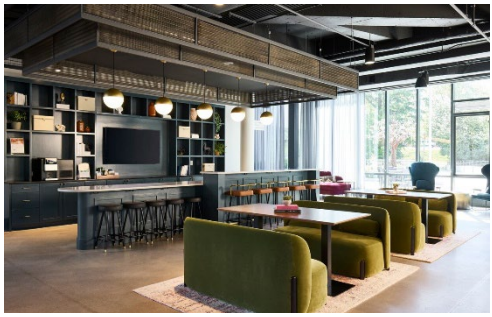
Park Center was already LEED Silver certified, which reduced conversion construction costs, as many energy-efficient and sustainable features were already in place. This minimized the need for additional improvements to meet residential standards. As a result, the transition from office to residential use was more cost-effective and streamlined, as fewer modifications were necessary to enhance energy efficiency and make the building suitable for residential purposes.

CHALLENGES

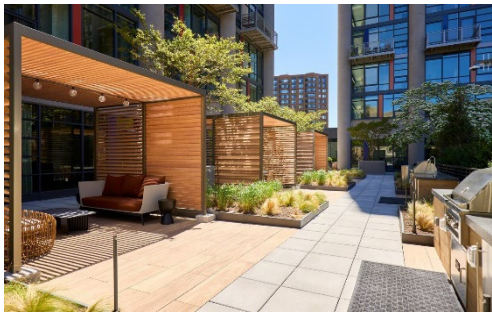
Although the structures were well-positioned for conversion, the Brutalist office facades were outdated and inconsistent with residential aesthetics. Balancing the added costs of façade improvements with the need for a visually appealing project posed a challenge. Additionally, a five-story underground garage limited crane access to portions of the site. Damaged concrete, mold, and asbestos also added costs and created project delays.

SOLUTIONS

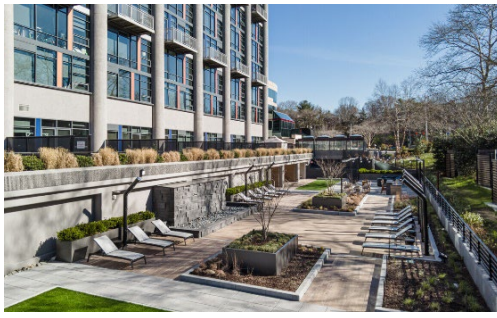
Adaptive reuse did not require subsidy, but foregoing additional incentives hindered the ability to provide affordable housing. The Park Office Center office complex redevelopment was feasible without the use of preservation related incentives such as historic tax credits. However, only 2% of the units in the development are affordable housing units. Lowe faced constraints in its capacity to offer additional affordable housing units, largely due to unforeseen expenses associated with retrofitting the building and the absence of supplementary funding.



Strong regional housing demand and a phased approach to redevelopment drove project success. Rapidly growing submarkets in the Washington D.C. region continue to drive demand for housing and supportive retail and commercial uses. Larger apartment units offered at Park and Ford are in especially high demand and cater to the growing population of young families. A phased approach to redevelopment also allowed Lowe to pivot Phase 2 of development from office to residential, incentivized by the success of Phase 1 and continued housing demand.



A highly amenitized building improved marketability of the apartment community. Park and Ford offers a variety of indoor and outdoor amenities, including a fitness center, cabanas for outdoor recreation, pet spa, a multisport simulator for basketball and golf, and co-working office space. A daycare center largely catering to the families residing in Park and Ford also provides a competitive marketing advantage to the project over other nearby apartments.



LESSONS LEARNED AND KEY TAKEAWAYS FOR CLARKSBURG

Park and Ford is a good example of a financially feasible adaptive reuse project that did not require subsidy. A low purchase price, five stories of preexisting underground parking, and a floorplate highly conducive to redevelopment contributed to a highly successful project. The Comsat building also benefits from smaller floorplates in each of the "fingers" that could support minimally invasive residential conversion.

Unexpectedly, larger units were leased first at Park and Ford, a trend reflecting housing demand from young families. As for-sale housing prices rise and remote/hybrid work continues, demand for larger apartments to accommodate families or additional space needs is anticipated to increase. Larger units provide lower developer revenue on a per square foot basis, but represent a growing gap in the housing market. Adaptive reuse of the Comsat building should prioritize a unit mix that maximizes developer return while balancing the growing demand for two-bedroom and larger rental units. Montgomery County has strong affordability requirements for large developments, but perhaps the county could consider loosening these requirements in exchange for family-sized apartments or other public benefits.

Lowe secured affordable construction costs prior to large supply chain shortages that arose during the pandemic. Construction costs have risen significantly since 2020, which continues to challenge the feasibility of adaptive reuse projects. If not subsidized, construction costs must be offset by rents, which can hinder rental affordability. In the case of Park and Ford, adaptive reuse cost significantly less than a comparable new development, which supported a high-quality product without the rent premium that would have accompanied new construction. Adaptive reuse of the Comsat building should utilize available subsidy and prioritize building areas most conducive to conversion to minimize costs.