

## Reflections on the Production of Commercial Office Architecture: An Interview with Cameron Charlebois

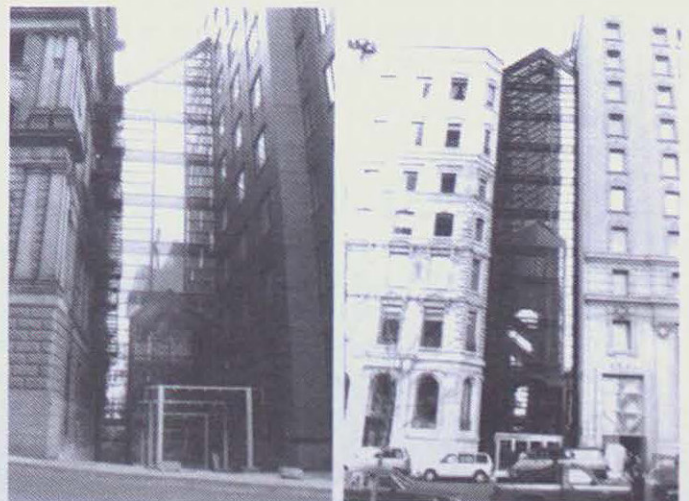
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Cameron Charlebois holds a degree in architecture from McGill University. He is presently the Senior Director of Commercial Projects at CN and has first-hand knowledge of the market for office space in Montreal. Vickie Vinaric and Dave Smythe interviewed Cameron Charlebois in April 1991.

VV: Do you foresee the possibility in the market for a company to hire an architect with the intention of promoting a building that may be a forerunner in design for office buildings?

CC: Yes, I see that happening but in a long evolution. I don't want to exaggerate, but what you see happening is a very honest and correct reflection of the state of our culture. Our occupying companies are no better than our architects or our developers, they are no better or worse than our city officials or our middle class who chose to live in bungalows out in the middle of nowhere and drive mediocre cars. It's just like that song in the sixties, like ticky-tacky boxes up on the hill, where what was ticky-tacky thirty years ago is just better ticky-tacky now. Maybe that's the way history goes; things just get a little bit better. So I see nothing out of sync between these buildings, the mass of them, and the rest of our society. That is probably where I unhook with the attitude of some academics and the stuff that they write. Wake up and smell the coffee; you know, you produced these guys yourself. They can afford the luxury of sitting in an ivory tower. The fact is that I'd rather see an analysis of what we're discussing now instead of saying that the details on the Maison Ultramar are banal or thoughtless. I think the industry should get into some of this polemic.

Consider the whole debate with the city, for instance: if the city set about giving awards to companies who occupy great buildings [it would have a tremendous effect. By doing this] they would recognize the architect because that would happen by ricochet, then you would recognize the developer, because the developer will be happy if the building gets recognized. But recognize the company, recognize IBM for its contribution, recognize the Maison des Coopérants for having chosen excellence, if you like that building; the effect you'd have on the market would be absolutely dramatic! Companies like that seek recognition, but that never happens. Instead, we focus on the architect, we focus on all the interveners, the doers, instead of the real tug which is the market and tenants that occupy these buildings. They're the ones who drive it. If you miss that mark you can have the most spectacular building in the world and you'll go broke in the process.



Both ends of the atrium of the World Trade Centre, Montreal

Look at the [new] World Trade Centre [in Montreal]. That is to me the most striking example of this kind of polarity in action. It gets all kinds of accolades, and no tenants. Even the tenants will recognize that it's a really nice building but "It's not what I want...you know it's really not what I want." And so I laud anybody who goes in there and sets up, but don't ask me to go there as a tenant. It's getting all this praise for being a great typology, a great model of building which we should all love because it makes a good city and so on but it doesn't represent the demands of the market.

DS: Why is that? Why is it not a desirable building?

CC: [I would get into the notions of] location and class "A" and class "B" office space and what drives some of these things, but in a nutshell it's [because it is] an atrium building. If I rent on a floor of an atrium building that means half of my offices are looking into an atrium. If you work all day in an office building and are looking into an atrium that's bad news. Even by contrast if you're in an office space like my own here looking out onto a normal street, looking right across the street at another building, it's still preferable because when it rains, it rains, when it snows, it snows, when it's dark, it's dark and you can look out the window and you can see traffic and people and you know that you live in a real world. I don't know the floor plan that well, but I imagine because of that [atrium configuration] you have long central corridors with elevators at the ends; you must have [this arrangement] because you can't have elevators every fifty feet. In a typical floor of an office building of twenty thousand square feet or so you've got offices on four sides and the elevator in the middle which is the ideal model. In an atrium building, which is long and horizontal, you've got windows on two sides but your end walls are blank because you share those walls with the tenants next door. You don't have windows on those walls, so proportionately for each square foot of floor space, you've got half as many windows and half of those you've got are looking onto an atrium.

The next thing is something that's architecturally significant. In most high rise buildings it's important for the tower to be expressed right down to the ground. Towers on podiums are not popular. They're not desirable from the market point of view because when you walk in that door you want to be walking into the building, not the base of the building or a piece of the building. In the case of the World Trade Centre I don't want to seem too critical because I know the developer and he's very adventuresome and courageous, but when a tenant walks into the World Trade Centre, which has ten other entrances, [he asks himself], "Who am I in all this?," and if you're a major tenant, that's disastrous. If you are Canada Trust, you're going to be in the Maison Canada Trust, you're not going to be Canada Trust in the World Trade Centre. What are you going to get out of that? That gives you nothing. It means your whole image is tucked underneath this ambiguous

notion of a World Trade Centre. So it's got a lot of things going against it.

I think the whole community is hoping that it works anyway, but where I get hung up is when I see it touted as the be all and end all of where we should be going when the real industry is not going that way. People can rant and wail and whine and moan about it all they want, and it's not going to change anything. That is not the way the industry is going and if the city tried to make the industry go that way by imposing design controls and so on, I can tell you right now that the industry would leave the city. The tenants that you would try to cram into those buildings would go and set up in exactly the buildings they want in Laval or Longueuil or somewhere outside of the city limits where you don't have to live with that kind of constraint. That sounds drastic, but I'm not exaggerating. That's the discourse of the industry and it's been put together after a good deal of thought. So it's constrained. It's not easy and yet within the kind of dynamic of the industry, the actual forms that you see are produced very quickly and with a view to marketing.

DS: So how are business projections made in terms of an office building? Does the product have a five year life span?

CC: No, you've got to remember that these decisions are made on a quick turn-around because you are talking about a tenant's market, you're not talking about an owner's market. You're talking about people who are making a five or ten year decision where there's one number that is important: the net effective rent. What's my net bottom dollar per square foot per year? After that you get into the peripherals, like expansion options. If I'm planning to be in this business for ten years, I've got to have room to move.

It's a tenant's market. The tenant is being bombarded with offers. There's not any shortage of desirable developers out there. They're all coming in each one with a better and more seductive offer. The tenant is in a position of reacting to the best of all worlds and choosing the best possible product for the cheapest possible price - very simple operation planning. Sometimes they hire consultants to do the search for them and to engage the developers in a dialogue and come up with the best possible deal, but the process *per se* rarely takes very long. It's very quick for a number of reasons. First of all, tenant's usually start to engage in this process at the last minute. They either engage in it because they need some more space badly because they just got a big contract or because their lease is up in eighteen months. They know that within an eighteen month horizon they can get a pretty good fix on the market. They can make a commitment to a developer and get all the best concessions given all the market conditions. Everything is on a very short temporal horizon because you can't negotiate a deal five years into the future. The whole market could turn around. So you leave the decision quite intentionally often up to the very last



I.B.M. Marathon billboard



I.B.M. Marathon building, Montreal

minute, [leaving] the shortest possible delay in which the developer that you ultimately select can deliver the product in time. If you're a small tenant and there's a lot of space on the market, he can deliver the space to you in six months. If you're a big tenant like IBM it's a two year run out.

IBM was very quick. The deal, the design and everything else were done in six months: city approvals, whammo and then they got into the ground... very quickly... two years to build the building and they took that into account. Their lease is up this year and they've moved in already. The timing was perfect, but they didn't make the decision until they were absolutely up against the wall. The whole situation drives that because it's dealing with a kind of squeeze that gives you on your own part the best possible deal. Knowing all of the parameters and extrapolating from them is the way to get the best possible deal and, as I said, you can't know the parameters in the market place three years down the road but you can certainly know them for next year. The whole thing is geared towards quick and facile decision making, not a lot of agonizing and reflection. I would love to see more understanding of some of this dynamic. I don't think it's without hope because I don't think our downtowns are without hope and I think with some intelligence the whole thing can be moved to evolve in a direction that is much, much more human and much better, but people have to stop denying that the dynamic exists.

VV: But you don't see the fact that the building is an advertisement or part of a corporate image for a company as something detrimental to the architectural intent of the building.

CC: I don't think it's the fact that it is a marketing tool or advertising for the company that is detrimental because this was always the case. When the Bank of Montreal hired McKim, Mead and White on Place d'Armes to do its building with the dome, don't



Maison Canada Trust, Montreal



Bank of Montreal, McKim, Mead and White, Montreal

tell me that the colonnade and the dome weren't part of the marketing of the Bank of Montreal. Of course they were. It's just that they had more time, construction was longer, family attachments and so forth were such that they did it in a somewhat more sophisticated manner, perhaps, and not as glib. Already, I think, we're a lot less glib today than we were ten years ago. I think that that's true in a lot of cases, even a Canada Trust may be better than a 2020 University. I think most people would agree with this. Yet the client bracket is basically the same. At least it's a step in the right direction. I think that if you accept the fact that the building and the architectural design is going to fulfill that role [of a marketing tool], the question becomes, "How do I manage that in a way that produces the marketing desired by the tenant, the client and the developer but also produces good architecture?" I think that's where Kohn Pedersen Fox have got it pinned down.

DS: Is there such a thing as a life expectancy, not of the building itself, but of the prestige image of the building? From the owner's point of view, is there a sort of recognized period of time after which it may not have the status in the city that it did before? I know in Toronto there's a glut of downtown rental space and some owners of older buildings are offering outrageous deals on ten year leases at thirty to forty percent discounts because they're finding out that their prestige tenants are moving to newer buildings. Have they passed that point where the building's prestige image is dated?

CC: Yes, there are some such cases. I think the answer to that is largely location. If you've got a class "A" building today on McGill College it'll be a class "A" building as long as McGill College stays a class "A" address. If you've got a class "B" type, miserable building in a class "A" location, well then you're out of sync and sooner or later, probably sooner, you're going to try to renovate the thing to give it a class "A" image. Likewise, if you're off the class "A" address like Place Ville Marie and parts of René Levesque and McGill College, sometimes there is nothing you can do. You can make it the most beautiful thing in the world and you're not going to change anything. But I'd say that buildings would be referred to as getting tired and losing their sheen and that sort of thing. PVM is a good example. That whole building had to be remarketed and they did. I don't know that they're fully completed yet, but they have set about it. A lot of the tenants for the McGill College buildings came out of PVM. PVM was just being robbed of tenants, so they had to get back into the market place and capitalize on the real value of their location. Yes, buildings do get tired, but in the case of PVM it took 25 years.

DS: So at that point, when that recognition is made and they have to get remarketed, how is that done? Does the developer or owner hire one of these firms to remarket their building?

CC: No, it's deeper than that. A good example of this is the old CIL house. That's a SOM building that was pure within its

universe. It's a good building. It was bought by Royal Trust first, and then sold to the developer Canderel, and then they decided to remarket the building. It's not a SOM lobby anymore. It has got all kinds of stuff in it, it's a remarketed lobby. They made a fairly large production out of the asbestos they took out of the building. They reconfigured floors, they moved tenants around, they remarketed all of the elevator lobbies. That was done as well at 1010 Sherbrooke Street West beside the Four Seasons Hotel; all the typical floor lobbies were redone in marble and so on, where before they might have been carpet and gypsum...

DS: So you say remarket and in a sense it means redesign?

CC: There's no doubt about it. It can be an upgrade in the mechanical system, changing the windows, etc., and then the marketing firms will use that as part of their *schtick*.

VV: Which comes first, do the marketing guys say to the developer, this is what people want?

CC: No, it's the developer that's got a sense of it. The whole process is driven by the developer.

VV: And then the marketing agents take what's there.

CC: Yes. A developer, if he's been sitting on a building for that long, realizes that the building is losing its edge. There are changes in technology, sophistication in communications, the tenants' space requirements are different, not necessarily less, but very different. And so you begin to sense this: "Holy smokes! If this is the coming wave in the market place, this building I've got over here is never going to be able to respond so I either accept it as a second class building, or I'm going to recycle, I'm going to upgrade its market value." You do it in pieces and sooner or later you're finished, and you pay another million bucks for a marketing campaign or whatever and you go through the process.



Renovated entrances to the shopping level and the parking garage of Place Ville Marie, Montreal

VV: What percentage of the building cost goes into marketing?

CC: That depends on the building. If you roll in brokerage commissions and stuff like that it can be a whopping percentage. If it's just the brochures and the advertisements and stuff like that, it's one or two percent.

The other aspect of the trade which will provoke a recycling/remarketing of the building is the sale of the building. These buildings are built to be sold. They're not built to be kept, so you build them, you fill them up with tenants, you get the best possible revenue stream today, then you look for a buyer who has got a lower return expectation than you, which means you put a multiplier on the revenue stream and then you sell it to that person. If it's an older building and it has changed hands a few times sooner or later it is going to hit a point where somebody is going to buy it more for its speculative potential than for what it's actually producing today. They'll say, "Okay. We're going to buy this because we figure its revenue stream is fifty percent what the market would bear in this location for an upgraded product. Change the windows, re-do the lobby, etc. and then get into a process of remarketing and maybe double the revenue stream." That sort of situation will also provoke remarketing.

Remarketing will consist of the whole thing that you would do in a development operation. You get the brokers involved who are the leasing agents who get the tenants, you hire the communications firms, you have public relations activities, you produce brochures, buy advertisements in magazines, the whole *schtick*, just like it was a new building. There's really no difference.

DS: So you know right from the beginning of the project that at a certain point you're going to need to sell that building. Is the life expectancy of the building a quantifiable thing or is that something that the developer realizes after a certain time?

CC: There are different developers. Some developers build to keep, in which case they have a portfolio of assets which represent the asset base or the richness of the company and all those assets are kept up to saleable quality at all times. If you're in New York and you need five hundred million dollars to build Canary Wharf well then maybe you'll sell ten buildings in the United States...or if you're BCED who has a cash crunch but you don't want to have to let go of the project in Montreal or in downtown Toronto, you'll sell three shopping centres in Missouri or something so they have all got to be kept up to that state. There is another class of developers called merchant builders who build facades and they are the dangerous guys because they'll build anything and they'll fill it up and they'll do anything to get rentals coming out of it and then they'll turn around and sell it to a finance company. That's what caused the financial disaster in the States. It happened much less

in Canada but in the States developers would build anything they could get a loan on and since the loans were deregulated, people could lend money to any project.

DS: This is the savings and loans scandal?

CC: That's right. The developers would get a loan for ten million dollars to build an empty building and then when they couldn't get any tenants they all went bankrupt and now 160 billion dollars of real estate has fallen into the bankruptcy process in the States. It has killed the whole real estate market in the States for about ten years.

When you look at the developers' operation at that level, there are so many dimensions to a project, from municipal approvals, to securing the land, to getting the tenants interested, to getting the design done and gearing up your contractors, maybe even preordering certain things like elevators and escalators and so on, to most important of all, getting your financing (because a developer tries never to build anything with his own money). With all of that, the design development process is ten percent of the developer's reality, it's a hundred percent of the architect's reality, but it's ten percent of his, and it's maybe fifty percent of the city's reality, so you've got all these people talking to each other but they're in it at different levels. It's a little bit like a tower of Babel. You never really know. You've got one person losing his mind over something and another person who is sitting there, and it's only ten percent of his concern. It happens all the time, it's just amazing and it's exacerbated by the fact that most developers think they do a tremendous benefit to the community.

DS: I'm sure people would say the same thing about architects.

CC: Well it's fun to get into it because I think there's certainly an intellectual level to all this that people tend to ignore and yet it's very rich and there are reasons for everything. Where I disapprove and I get very very frustrated is when I see this whole dynamic which I've just explained summarily ignored. Developers are really killing themselves [trying to build a building of architectural significance]. Some are getting rich, there's no doubt about it but some people are suffering, and some people are doing their best, and we are all human beings. You could question every soul in this industry other than the most slippery land speculators, and they would tell you that they are fulfilling a mission, their integrity is beyond question and they just want to do their best for their society. To see that whole dynamic passed off by certain academics as bad faith or sloppiness just makes my skin crawl.

*The text was prepared for publication by Michael Kidd.*