

# Rehabilitating an Existing Building vs. New Building

By Peter F. Olesen, P.E.

When people are seeking a building in which to locate a new family entertainment building there are many issues to consider in making a final determination. In today's real estate market there are a large number of vacant, stand alone buildings as well as extensive space available in strip and destination malls. Some are available for purchase while others currently have attractive leasing rates. In larger communities there aren't a lot of vacant sites in attractive locations, making the purchase or lease of an existing building a realistic option.

Not all potential sites will turn out to be good investments. Location, neighborhood, roadway access, parking, building condition, or other elements may well make some buildings a bad investment.

This article seeks to identify many of the issues that have to be evaluated when considering existing buildings (and to a lesser extent, vacant mall space). Many of the later big box stores and many warehouses may well be easily convertible to entertainment type operations. Unfortunately not all are good locations and many may have other problems that may make them absolute disasters. Not all are in reasonable condition for the conversion without many additional costs to just make them ready for the installation of attractions and amenities.

The initial cost of the building is only one of many elements that have to be considered carefully. Not every building turns out to be a good buy or lease. Before making a decision to acquire any existing building it would be very expeditious to read this article and give serious consideration of each element that may impact on the final decision. Money spent foolishly is usually gone forever as is the time involved. Think twice, act once isn't even good enough, more thought pays off.

Specific elements to include in your decision making include:

## Location:

- **Relative to target market.** Is the site located to provide reasonable travel times from the outer perimeter of your identified market area?
- **Adjacent businesses.** Are the adjacent businesses complimentary to your proposed concept, or are they liquor stores, strip joints, junk yards or failed businesses?
- **Access.** Does the existing roadway and street network provide easy access?
- **Zoning.** Is the site zoned appropriately for your proposed use?

## Neighborhood:

- **Condition of neighborhood.** Is the neighborhood vibrant or run down? Will your guests feel comfortable coming to your business in the evening hours?
- **Adjacent streets.** Are the adjacent streets in good condition or poorly maintained?
- **Street lighting.** Is there adequate well maintained street lighting on the adjacent street?
- **Sidewalks.** Are sidewalks in front of, and beyond the proposed site in well maintained condition?

## Building condition:

- **Asbestos and mold inspection.** Every old building should be certified as asbestos and mold free (or proper remediation has been completed. Removal and/or remediation can be costly and time consuming.
- **Outward appearance.** Does the building have an appealing look, well maintained and suitable for presenting you physical image?
- **Size.** Is the building large enough to enclose your planned attractions and if you have future expansion plans the ability to do so?
- **Floorplan.** Is the configuration of the building conducive to permitting a viable FEC configuration?
- **Roof.** Is the building roof in a good and maintainable condition?
- **Utilities.** Is the site served by all of the utilities your proposed site will require?

- **Overall interior condition.** Can the conversion of the interior be revised to meet the needs of the FEC without excessive renovation, repair or replacement of existing elements? This applies to all wall and floor surfaces. Existing flooring, be it carpeting or other covering can be expensive to replace.
- **Sprinkler system.** Is the existing system up to current code or will it requires major upgrades or complete replacement?
- **HVAC.** Are all of the existing components of the building system up to current code or will it require major upgrades or complete replacement?

#### Available Parking:

- **Parking lot capacity.** Is the available parking lot sufficient to accommodate the heavier parking requirements for your anticipated guests? FECs typically require more parking capacity than retail or typical business operations.
- **Security & parking lot lighting.** Are the existing security provisions and lighting for the existing parking lot sufficient? The actual amount of lighting and fencing required for any given location may vary greatly.
- **Pavement Condition.** Will the existing condition of the existing parking lot be acceptable for your use, or will it require extensive renovation and up-grading?
- **On-street parking.** Is there available on-street parking to provide additional guest parking capacity? Not as important assuming the existing lot has required capacity.
- **Public parking.** In many urban situations, public parking is an absolute necessity.

#### Suitability for proposed attractions:

- **Sufficient usable floor space.** Is the building configured in a way that accommodates your conceived concept in a comfortable and free flowing layout?
- **Adequate column spacing.** Is the location and spacing of existing columns sufficient to accommodate the attractions and amenities you are planning? This is important if you plan to include go-kart tracks. Column spacing of less than 30 feet in each direction could create serious problems.
- **Sufficient ceiling height.** Many attractions and game room elements require higher ceiling clearances. A ceiling height of less than 16 feet would preclude the use of many games and other attractions.
- **Minimal structural and wall revisions.** Some existing building floor plans contain extensive walls, hallways and other elements that require extensive modification. This could result in problems with bearing walls and existing plumbing and HVAC runs.

#### Cost of building rehabilitation:

The costs of making changes to an existing building can range from minimal to monumental. We recommend that you have an existing building inspected by a building inspection professional to protect you from economic landmines in terms of unanticipated, unobserved but required renovations, replacement and other code situations.

- **Building exterior.** This should include any structural repairs, tuck pointing, painting, glazing, signage, entryways, etc.
- **Demolition costs.** This should include the costs of removing walls, existing floors and other physical elements that have to be removed to accommodate the new elements.
- **HVAC upgrades.** Many buildings have outmoded HVAC components that require upgrades or complete replacement.
- **Painting & other interior decorating.** Almost every surface in an existing building will require painting and other decorating elements to bring a building up to the appearance levels of you planned operation.
- **Floors.** Any existing floor covering should be inspected carefully to make certain it contains no asbestos, which can add costs and time delays.
- **Additional power.** Almost all building conversions will require extensive renovation. Make certain the required service is available and that there are no extraordinary and costly renovations required.
- **Adapting existing facility to accommodate proposed attractions.** All of the above elements become a part of the determination whether or not the proposed building is a good investment.

### **Cost of Exterior site Improvements:**

The cost of renovating existing outdoor facilities and the preparation of the site for the proposed attractions and amenities is dependent on the condition of the initial existing and required effort needed to remedy any unsuitable facilities, as well as the cost of new improvements.

- **Parking lot & driveway.** These are critical elements in the operation of a successful FEC. Not only is capacity a prim concern, the physical condition may well determine whether guest will return. A poorly maintained parking lot is the wrong first impression for your facility.
- **Sidewalks.** Guest safety dictates the provision of a safe well maintained sidewalk system including the cost to upgrade or replace existing walks.
- **Security fencing.** The visual assurance provided by a well maintained security fence is an asset in making guests feel secure in visiting the facility and the cost to achieve it a part of the initial improvements.
- **Grease traps.** Make certain the existing grease trap system complies with current codes. Maintaining a good relationship with food service inspectors or the public health department is a must. Bring the system up to date in accordance with projected needs.

### **Conclusions:**

There are many vacant buildings on the market today that can be modified to function as successful FECs. The challenge is to find them. First and foremost they have to be in a realistic location relative to your market. They also must satisfy your space requirements, have adequate parking and the combined cost of the building and required renovation costs must meet your projected budget. The existing condition of the above identified elements can vary widely, as can the options and relative costs of addressing them. Because of this, it is important to approach the analysis with the evaluation and advice of an experienced renovation professional.

Depending on the age and configuration of an existing building, it can be a tremendous investment or an economic time bomb. The older the building, the greater the potential for added problems (but not always). Take the time to make your selection of an existing building or constructing a new building, based on assembling as much information as possible and utilizing professionals to prevent turning your dream into a nightmare.

Suitable open existing sites for the construction of a new building at a reasonable cost may well be difficult to find. Also the cost of constructing a new building is a serious financial investment and may prove to be beyond your current financial capacity. Make certain you have given sufficient consideration to the various elements discussed above.

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