

High Tech, High Expectations

*A high-tech company in the midst of astonishing growth, eBenX was quickly outgrowing its patched-together office space. “Our office had grown by fits and spurts,” said eBenX CFO Scott Halstead. eBenX needed insight and strategy, he knew, in order to find the best space - and someone who could help them accomplish it in the few short months before the current leases started expiring. He called **Keewaydin Real Estate Advisors**.*



eBenX's National Headquarters, at the junction of Highway 55 and Highway 169 in Plymouth, MN

Since 1993, eBenX has helped companies buy, administer and pay for group health and welfare benefits. The business-to-business provider had grown from fewer than 100 employees to around 300 in less than three years. In mid-1999, they faced a critical space crunch. eBenX's real needs, however, went beyond square footage. Image, atmosphere, productivity, employee retention – things critical to the company's success – would be affected by the building and workspace. Expenses mattered, too, especially as eBenX was gearing up for its initial public offering.

“We weren't sure what we wanted,” said eBenX CEO John Davis. “But we wanted our space to reflect the company we want to be in the future.”

What Keewaydin found for eBenX was “significantly better than I imagined,” according to Davis. An ideal location, rate negotiations that would save them hundreds of thousands of dollars, and expansion options that would accommodate their most optimistic growth plans – all were accomplished within an extreme timeframe. The process began with strategic planning.

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CEO
eBenX, Inc.

First, the Strategy

It has long been Keewaydin's practice to focus on long-term real estate solutions. In eBenX's world, where business moves as quickly as information along a fiber-optic cable, long-term needs could be drastically different from those of the present. One thing was clear, Keewaydin principal Shannon Reilly knew: decisions would have to be made based on tomorrow's business, not today's.

With Reilly's help, eBenX's team began to work through the issues that would drive the selection of their new site: Lease or buy? One or two sites? Location? What kind of space – and how much?

“Shannon would say, ‘Here are your options. Let’s get into the financial aspects, the practical, the employee retention factors, everything.’” Noted CEO Davis of the planning process. It wasn’t always easy. “Shannon guided us to decisions,” added Davis, “She came up with pros and cons at every turn. She saved us tons of time.”

One decision, for example, was a calculated risk. Originally intending to find 40,000 to 50,000 square feet, the eBenX team listened to Reilly’s points for acquiring much more space – double that amount, in fact.

“Her insight, her network were the most valuable part of Keewaydin’s contribution,” CFO Halstead noted of Shannon’s strategic planning guidance. “We knew we needed a process to figure all this out. She created a project to make the right environment happen.”

And so the team made the key decisions: around 100,000 square feet of Class A leased space, with all employees housed together at a west-metro location

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(a survey had found this to be the employees’ location of choice; see sideline for more on using space as a “perk”).

But the real estate market was tight. eBenX would need a large chunk of space in a high-demand area. Added to this challenge was an extremely tight timeframe: the lease in parts of the old space would begin to expire in May, 2000, just a few months away.

The clock began to tick, Reilly went to work. Combing the suburbs west of Minneapolis, she found properties that would meet eBenX’s space needs. As Scott Halstead put it, the process of selecting a building was a “huge deal”. Reilly’s nearly-continuous negotiations and right-on recommendations helped CEO John Davis choose the property at 605 Waterford – a landmark, really – located just a half-mile or so west of the current space.

The Waterford building was Class A space, but eBenX would need a deep discount – about 20 to 35% below top rates – in order for the deal to work. Negotiating that kind of deal would be tough, especially given the fact that eBenX was just about to launch its initial public offering. The IPO would ultimately be successful, but until then, the company’s balance sheet could have been a concern to credit-conscious property owners.

“Our balance sheet was geared towards a privately-financed, entrepreneurial company,” said CFO Halstead. “Shannon was creative (in the lease negotiations) without promising the balance sheet of a publicly-held company with more than \$100 million in the bank.”

Reilly’s creativity dissipated the landlord’s concern over eBenX’s balance sheet. She negotiated a list of favorable credit guarantees – financial steps that eBenX was planning to take anyway during the following months.

After more tough negotiating, Shannon pulled off a lease that was more than eBenX had bargained for in other ways, too.



“eBenX is the web-based exchange that radically simplifies the buying, selling and management of health care benefits.”

eBenX 1999 Annual Report

eBenX got its Class A space for essentially Class B/B+ rates, saving at least \$800,000 per year over five years. Reilly negotiated for the more-prestigious upper floors of the building and for fiberoptic cable to be brought to the building at the owner's expense. She even negotiated the right for the eBenX logo to be emblazoned on top of the landmark building, visible from two major highways.

Most importantly, however, the Keewaydin team got eBenX the flexibility they needed to survive the tumult of the next growth stage – and beyond. The lease includes options for an additional 38,000 square feet and an ongoing right of first offer at 605 Waterford. Longer-term, the next-door sister building provides even more expansion space as its current tenants' leases begin to expire. The lease negotiation also included parking spaces at a number beyond those usually allocated to suburban office buildings, with the landlord agreeing to obtain additional parking if that number proves to be inadequate.

Meeting the Deadline

The lease was signed, but Keewaydin's work was just beginning. At Keewaydin's suggestion, eBenX hired Hammel, Green, Abrahamson (HGA) architects to design a space that would foster creativity and teamwork. Keewaydin senior project manager Michelle McGuire, involved from the beginning of the planning process, seamlessly took the project into the construction phase. Only three months remained until eBenX would need to occupy the space. The biggest challenge, McGuire knew, would be the time crunch.

Did Keewaydin help eBenX deal with the deadline? "Help? They made it possible!" said Carolyn Earle, eBenX's facilities manager. With extremely tight time tolerances on everything from furniture delivery to fire inspections, there were innumerable points at which something could go wrong. Deadlines had to be met daily, decisions had to be made on the spot.



More Than Free Coffee: Using Space Perks to Keep Employees

The technology-induced prosperity of the 90's has spurred an all-out war for talented employees. While human resources departments scurry to come up with the newest, most attractive perks, Keewaydin encourages companies to ask a more fundamental question of their employees:

Do you like *where* you work?

Having made talent management a burning priority, eBenX asked this question – and more – in an employee survey designed by Keewaydin to help them choose their new location. With the help of a transportation consultant, Keewaydin evaluated the change in drive times for employees to two potential sites. The results from both exercises helped eBenX plot a geographical area that would give most of their associates a favorable commute.

Finding a new location for a business can be a huge challenge, but it can also be an opportunity to offer employees new perks. If your company faces relocation, factor in employee retention by surveying employees about the following:

- Commute time
- Availability of parking and public transportation
- Proximity to convenience services, such as dry cleaners, post office, etc.
- Proximity to ongoing education, i.e., college or technical school campus

The interior workspace offers even more opportunity for built-in perks. Keewaydin recommends hiring an architect that understands the atmosphere your company needs. Use space and furniture to encourage the results you are looking for, such as eBenX's open common areas (for impromptu team meetings) or white board-lined walls (for instant creative sessions).

Of course, the free coffee doesn't hurt, either.

"Michelle was on top of the whole project, floor by floor, week by week, she sees options where there don't appear to be any."

"Michelle was on top of the whole project, floor by floor, week by week," said Earle. Michelle laid out alternatives at each critical juncture. "She sees options where there don't appear to be any." Earle added. As a result, focused, well-informed decisions could be made on the spot at progress meetings.

Some decisions did more than keep the project on track; they saved money. The lease agreement, for example, contained an option to occupy a fifth floor. eBenX could build it right away, buying themselves ready-to-use growth space. But then they would need to pay rent and incur the expense of furnishing and building the floor, which they might not need in the immediate future.

Build it, Michelle advised after laying out all the options. She had already encouraged ordering an extra 100 workstations, and suggested that it would actually be cheaper to build and furnish the extra space now.

As it turns out, eBenX needed the space sooner than expected. With an extra floor ready to populate, they had flexibility in arranging their current staff, and bought themselves the freedom from undertaking another construction project soon after they moved to the new building.

On a Monday morning in April, eBenX employees arrived at 605 Waterford, with minimal weekday work interruption but the distinct feeling that they – and the company – had just moved up in the world.

“I never would’ve believed we could do it in three months,” eBenX’s Earle would say later. Just as important, the project was completed within budget.

“Met and Exceeded”

The new space on the Waterford campus is much more work-conducive. Cyber café-like common areas lined with white boards encourage impromptu meetings and creativity. Workstations are arranged to lend an air of openness, encouraging the same in communication and teamwork.

The best thing about the space, though, is that it’s there to use – now and in the future. For the short-term, there’s flexibility. The “extra” floor built along with the initial construction gives eBenX immediate room to make changes without more construction or redesign. Longer-term, there’s ample room for growth. The lease agreement includes options on another 38,000 square feet, about half of which eBenX

plans to occupy just a year after moving in. Plus, the building next door offers even more potential expansion space.

If eBenX had planned according to “today’s” business, they would have already needed to go through the real estate planning process again — another site selection, build out, and move.

The upshot? The pressure’s off. Keewaydin’s partnership with eBenX saved money and time — time to concentrate on an exciting, fast-growing business.

The secret to this successful partnership? “Really getting to know the business,” said Keewaydin’s Reilly. “Not just the type of work that’s performed, but the environment, the vision, the strategic plan.”

It can be difficult for a company to trust an “outside” consultant enough to share their internal dealings. But sharing the vision and reality is the only way to ensure that the best decisions are made, and that, as Michelle McGuire put it, eBenX could be “as hands-off as they needed to be with the project.”

“It sounds trivial, but it’s not,” eBenX CFO Scott Halstead explained. “I just always knew with [Keewaydin] that they’d get the job done.” With the peace of mind that comes with knowing an entire project is in good hands, the eBenX team could concentrate on developing the world-class organization their vision compels them to be.

“They were tuned in and true to our vision,” Davis remarked of the Keewaydin team. “We wanted ‘this’ type of feeling, ‘this’ type of atmosphere. They met and exceeded that.”



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