

COVER STORY

Kuehner Brothers

Building and Land Technology

By Chris Cowles

That ethereal and oft-quoted line from *Field of Dreams* — “If you build it, he will come” — is all well and nice for a fictional feel-good family motion picture, but when it comes to speculative construction during unsure economic times, Norwalk-based Building and Land Technology is drawing attention, not in the way Kevin Costner’s character did when he built a baseball park in the middle of an Iowa cornfield, but from the shrewd corporate world.

In 1989, the same year “*Field of Dreams*” was released and later nominated for an Academy Award for best film, Paul Kuehner joined his older brother, Carl, at the second-generation family business; a real estate development firm founded fifteen years earlier by the Kuehner’s father, Carl, Sr.

The developmental spirit no doubt runs in the family’s blood, but the brothers epitomized pushing the envelope when it came to extending the entrepreneurial spirit of their father who certainly ignited his sons’ passion, but was world’s away from the scope of work the boys would undertake in the years to follow.

When the elder Kuehner retired to Florida, the sons made some wholesale modifications to the operating plans of the business, changes that ultimately put the duo behind some of the most successful speculative building projects ever initiated between New York and Hartford.

“Our dad was a true land developer, but he really didn’t like construction,” says Paul Kuehner. “He bought properties, got approval for higher and better use of them, did some improvements and then he would sell them.”

Sixteen years on, BLT is a radically different organization at every level as it provides a cornucopia of services for a wide-range of clientele.

A company with its roots in a veritable revolving door of building acquisition/property enhancement — and hopefully a profitable turnover to new owners — had come full circle to residential construction/property management and, in the case of landmark projects *The Towers* and *Merritt on the River*, the largest leases in Fairfield County in a decade.

Now in the process of completing the construction of a series of state-of-the-art office complexes at the intersection of the Merritt Parkway and Route 7, the culmination of these bold projects that truly define speculative building, are now occupied by the headquarters for industry-leading organizations as GE Commercial Finance, Diageo North America, Inc., Hewitt Associates, GE Real Estate, IMS Health and Xerox.



Innovative brothers Carl Kuehner, chief executive officer, Building and Land Technology, and Paul Kuehner, chief financial officer, Building and Land Technology.



Left to Right; Carl Kuehner, chief executive officer, Building and Land Technology, Ivan Menezes, chief executive officer, Diageo and Paul Kuehner, chief financial officer, Building and Land Technology.

When the Kuehners took over operations, not only did they expand, but they demonstrated a penchant for new construction. It began with 50 single-family homes in New Canaan, but soon branched out into commercial and multi-family housing.

“We couldn’t just do high-end and single-family homes,” explains Carl Kuehner, 42, BLT’s president and chief executive officer. “The buyers deserved to and wanted to meet with the principles and there were only so many hours in the day that Paul and I could do that. We had to rescale.”

Based on their success in the multi-family and community developments, the brothers enjoyed a relatively smooth transition to the new venture. Their management teams ran multiple jobs at a time and the result was a massive growth of townhouse construction, especially in the Danbury area. It would not be long, however, before the Kuehner’s took their real estate business to a new level, one that would have them making a splash in the often-risky speculative office building construction arena. Along with the risks was potential for enormous rewards and to date, BLT has developed and held more than \$2 billion in real estate, including more than 2 million square feet in office space and thousands of condominiums, houses and apartments.

Despite the scale of the projects BLT has undertaken over the years, the brothers have prided themselves on not letting company growth become unmanageable, in fact, they’ve maintained a simplistic functionality to their business.

“It all comes back from our father,” says Paul, “his phrase was always: ‘Protect the downside and the upside will take care of itself’. We never let the overhead get out of control.”

Today, BLT only has 30 full-time employees and only eight are based at the headquarters, the rest are in the field working on projects. The lion’s share of the work — from the legal side of the business to the carpenters banging nails — is done by subcontractors.

Paul, 40, who serves as chief financial officer, contends that the office sector is the main focus of the company but the residential development remains a “strong division of the operation” as BLT builds an average of 100 units a year and has constructed more than 2,000 since the brothers took over.

Just as a wise investor may be savvy to some short-term moves in the market, it is the long-term he will ultimately be banking on for a strong return from a diversified portfolio he built over time, the Kuehner’s wanted to broaden their holdings.

“The commercial side of things was always our main focus,” said Carl. “Five years ago was a very opportunistic time, we didn’t only have a vision to build luxury, high-end rental units and not do anything else. We are always looking for what the market is offering.”

In 2000, following Caldor declaring bankruptcy, the building on the Merritt 7 corridor that served as the department store’s national headquarters became available.

The brothers intuitively sensed an opportunity and found there was an option to purchase the lease and ultimately purchase the building. They went to bankruptcy court, procured the lease and soon owned the property and land outright. In time, they had gutted the building and renovated it to 240,000-square-feet of Class A office space and renamed it Merritt on the River due to its proximity to the banks of the Norwalk River. The timing could not have been any better as this bold move also gave the duo approval rights to build another office tower right next door to the Merritt 7 development where Albert D. Phelps, Inc., first property, Building 101, was constructed in 1980.

“Bert Phelps, over 25 years, created the submarket,” said Carl, “we just drafted very well over the last five years. We saw what was here, we knew the geographic location and the potential and we executed well.

The Kuehner's had developmental rights to the land that would ultimately become building 701, a high-end residential development that went up right next to Phelps' final building in the groups' six-office group of buildings.

"We already had 1.15 million square feet of office space at Merritt 7, but what was missing, based on our background in residential and commercial development, was high-end residential," said Carl.

Seeing the opportunity to merge office and residential areas, the brothers gained approval to convert 250,000 square feet of space into 223 condominiums and luxury rental units and proceeded to build over a five-story parking garage now used by office tenants during the day and residential tenants at night.

Around the same time, Hewitt Associates, the Lincolnshire, Ill.-based global outsourcing and consulting firm, sought to base its regional headquarters in Norwalk. It purchased land from Phelps and planned to build up to 650,000 square feet of office space in a 10-year period. Instead, Hewitt built a single 250,000 square foot office building and was later contacted by the Kuehner's who made a proposal the company could not turn down.

"We approached them (Hewitt), and said 'you're in the HR business, not the real estate business. Why don't we buy the real estate from you and when you're ready, we can build the buildings for you'," Paul recollected. Within nine months, the brothers took ownership of the Hilltop site, including Hewitt's building and two undeveloped parcels of land. The Kuehner's managed Hewitt's location and leased the building back to the company.

In 2003, the brothers commenced on their biggest speculative construction to date when they put up a 280,000-square-foot building that would soon be the North American headquarters for Diageo, the world's largest premium drinks business.

"This was a very bold move in the marketplace for us," says Carl based on the size of the building and the fact they had no lessee lined up to take occupancy. "In New York City, it would be a big building, but here in Norwalk, it's gigantic. We were only fortunate enough to spec it when we did, but more importantly, win the business of Diageo."

The Kuehner's holdings in Norwalk have become some of Connecticut's premier corporate locations.

Attention to Detail, Location, Attracts, Keeps Clients

On the surface, corporate office parks are fairly commonplace without much to distinguish one from another minus their respective locations and perhaps some distinctive features, but the Kuehner's properties could well be setting a new industry standard.

"We have a turnkey operation," says Carl. "We're going to build it and then we're going to manage it for the client and by doing that, we can solve whatever issues a client may have from a real estate perspective. They can now walk into a building they are truly proud of."

In the case of Diageo, BLT has completely designed a "smart building" to meet the needs of the client whose world headquarters is in London.

"We changed all of the mechanical systems," noted Paul who said it was imperative that Diageo's North American headquarters run as efficiently as possible, essentially so the company could run 24 hours a day, seven days a week with no hiccups.



The Merritt 7 corridor is located in south-western Connecticut, detail shown here



Aerial view of a portion of the Kuehner Brothers developed properties in Norwalk, Connecticut, located at the junction of the Merritt Parkway and Route 7 connector. At center is the building that houses Diageo, N.A., the world's largest drinks company.

“They can independently run any system in the building,” he said. “They don’t want to have to pick up the phone and call Carl and say: ‘Turn on the president’s office today at 2 p.m.’”

Based on the specific design of the building, each floor is divided into multi zones, meaning the client doesn’t have to fire all the boilers or air chillers to control the climate for specific areas.

“They can turn on the areas they need to,” says Paul, “the entire building runs more efficiently because they don’t have to fire everything to run one office.”

The brothers admitted they courted Diageo for nearly nine months, but contend the industry giant is in a building that is a perfect fit to the nature of their business.

“The cafeteria and the bar area at Diageo is on the roof, in a place where their clients can see all the way to Long Island Sound,” says Carl. “They’re a marketing and branding company, you don’t want the bar and cafeteria in the basement.

“They can show their products and be proud of what they have,” he said. “They’re in something great, for less money and it is more cost effective, not to mention more convenient for employees. Once you explain that and show that to a company, the sales pitch isn’t hard.”

Although countless new building designs have never even made it off the drawing board and an equal number of opportunistic businessmen have fallen on hard times due to poor planning and even worse execution, never mind unforeseen economic variables, the Kuehner’s remain bullish on building.

“This is a cyclical business and it has some really weird curves,” says Carl, “you just can’t control everything. Paul and I spent a lot of time underwriting the downside and I think the market’s perception is that we take great risks, but we think we have underwritten that risk which is commensurate with our risk-tolerance level.

“You always say ‘build it and they will come’,” he quipped, “but it doesn’t always work out that way and the lender doesn’t want to hear about it if it’s (building) empty. Excuses don’t pay the mortgage.”

Since they broadened BLT’s business into office building and management, the brothers stand behind their decisions, no matter the risks.

“Our feeling,” Paul rationalized, “was that today’s financial world is driven by shareholders. No CFO or President wants to commit to building a new corporate headquarters which takes three to five years from planning stage to moving in, if they don’t know where their company is going to be (financially) in order to be competitive with the existing space. We needed to build.”

Financing to build on a speculative basis was challenging, the brothers said, but equally tricky was landing a tenant on the scale of Diageo, which had canvassed the Fairfield, Conn., and Westchester, N.Y., markets.

“It wasn’t a fight between us having to beat out the Connecticut developers, but we had to beat the New York developers, too,” said Carl. “At the end of the day, the building and the location won their business.”

Carl said there were some tense moments as BLT did not learn they had landed Diageo as a client until literally the last minute. During the process to lease the building, the brothers had spoken to other potential tenants.

The location was a key attribute as Diageo’s employees would have an easier commute than if they went to Stamford or anywhere in New York. It was also closer to more affordable housing for employees who would simply be priced out of other areas.

When it came to pricing, the Kuehner's rolled the dice when they decided to go forward with plans to construct the largest of their towers, the 348,000-square-foot building at 901 Main Avenue, the soon-to-be home to GE Commercial Finance, the global, diversified financial services company with nearly \$500 billion in assets.

"There was never going to be a cheaper time to do it (build 901)," said Paul. "Just as Diageo was coming into 801, we secured the same pricing for 901 that we did for 801, and this was right when the inflation hit and steel and concrete prices were going very high.

GE already has a substantial presence in the area, including most of building 201 and half of 401 and every indication they will expand, according to Carl.

Having companies like GE Commercial Finance, Hewitt, IMS Health, Diageo, Xerox and GE Real Estate," he said, "they're all marquee names and because of that, other companies are going to want to follow (by leasing in the area)."

Attracting such sought-after tenants is important, but keeping them for the long term is vital for BLT.

"We want a tenant's experience in the first year to be superlative," says Carl, "just like we want it to be in the 15th year. Even if it makes economic sense for the reason a tenant came to us in the first place, to now move to Shelton, we want their employees to be fighting for us, to keeping the company here."

The brothers have had affiliations in Seattle, Wash., Portland, Ore., and Florida, but say they "have pulled the reins back to Connecticut" since they believe effective management can't be done from afar.

"The deals did well," said Carl, "but we think we can do a better job if we're within 45 minutes to an hour of a job. We're going to continue to do more in a concentrated geographic region."

Keeping a low profile and looking after the business remains the duo's primary objective. "We're really just dealmakers," said Carl. "We find an opportunity and then once we have defined what that is, we find the best capable team to put it together.

I don't think we grew up wanting to emulate anyone. I never said: 'I want to build the tallest office building in Manhattan and put our names at the top of it like (Donald) Trump or something'. "We'd rather be under the radar screen," he says, "and just execute instead of seeing how much press we can get every single day of the week. We brand and market each project with its own name that makes sense for that project, instead of branding it with our name."

Just as the Kuehners stand ready to act when an appealing opportunity presents itself, they remain dedicated to personal interests and causes they have been involved with over the years.

An avid hunter and fisherman, Carl sits on several boards, including the National Fish and Wildlife Foundation; Hope For Haiti — a charitable organization focused on improving the quality of life for Haitian people, especially children, through education and healthcare; the Naval SEAL Warrior Fund which provides educational support and promotes health and welfare programs for the Naval special forces community; and the Young Presidents' Organization, an international peer network of more than 9,500 business leaders from 75 countries.

Paul is a sports enthusiast and has maintained his competitive passion by coaching, playing golf and competing in triathalons. He is also involved with a number of programs at his church and Young Life, a non-denominational, Christian organization committed to impacting children's lives and preparing them for the future. First and foremost in each of their lives is the importance of their families. ■