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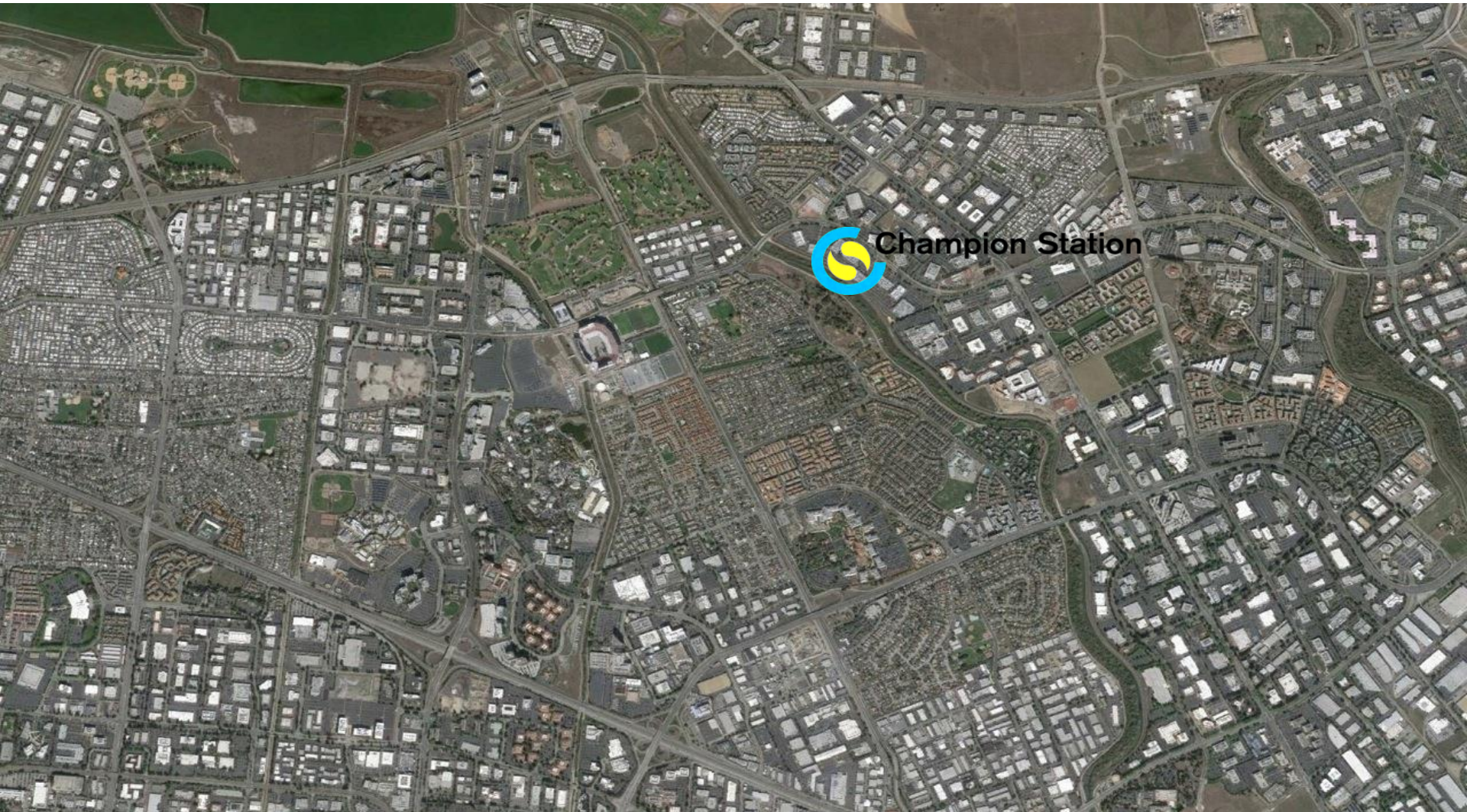
# At the Corner of Healthy and Profitable:

The Return on Investment in Developing Healthy Places

May 13, 2015

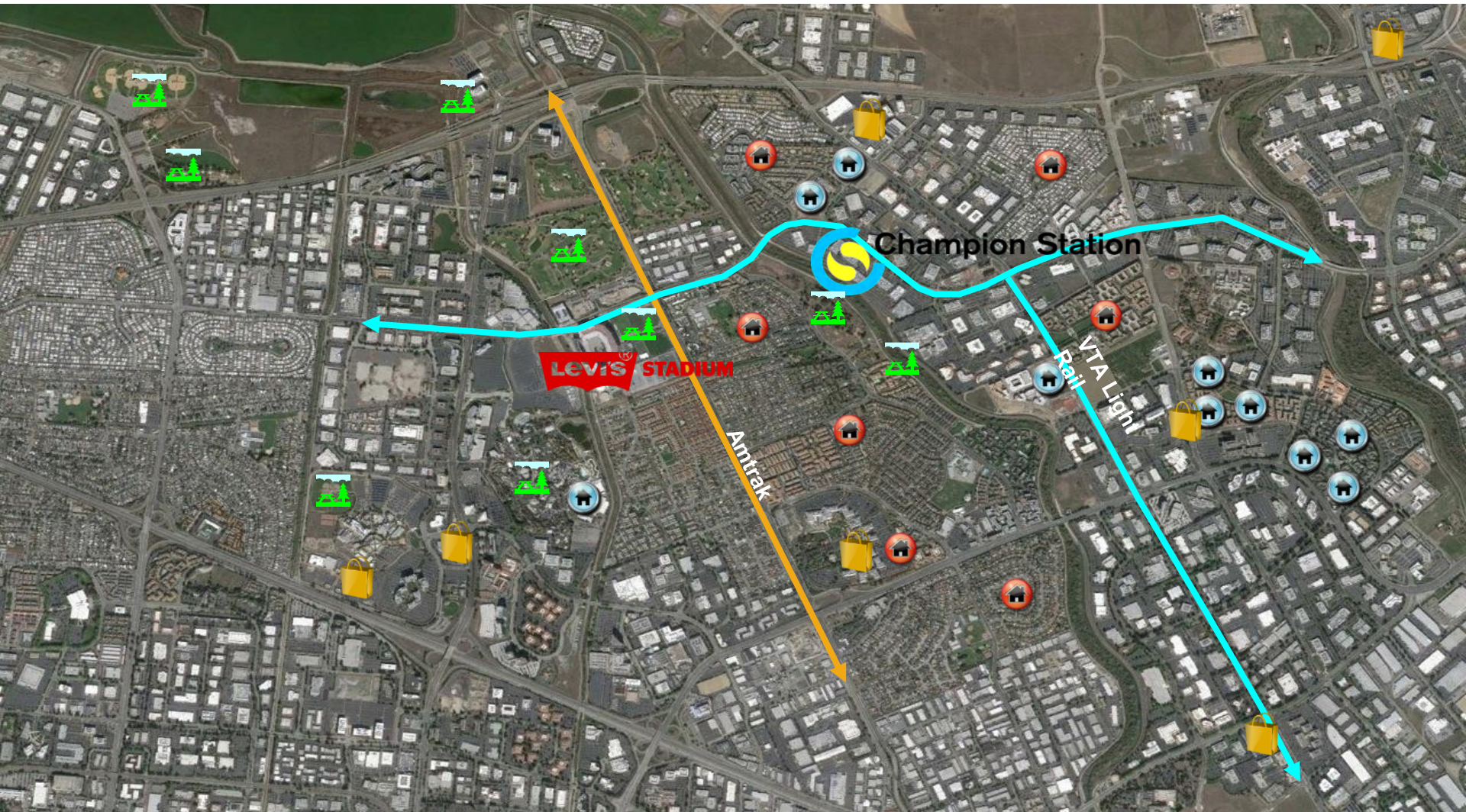
CHAMPION STATION

# Where?



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# Where?



# What?

- Purchase of Cisco's former 810,000 SF HQ
- Constructed 1992-1995
- 40 acres
- Eight buildings
  - Seven identical 96,000 SF R&D buildings
  - One 138,000 SF R&D/manufacturing building
- 3.25/1,000 SF parking ratio
- Power purchase agreement at <15% of PG&E rates
- Full cafeteria and secondary food service areas
- C-suite improvements

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# The Buy



Bldg	Address	Size (SF)	Avail.
A	110 W Tasman	138,000	Jan-17
B	130 W Tasman	96,000	Jan-17
C	150 W Tasman	96,000	Jan-17
D	170 W Tasman	96,000	Jan-17
E	190 W Tasman	96,000	Jan-15
F	210 W Tasman	96,000	Nov-14
G	230 W Tasman	96,000	Jan-14
H	250 W Tasman	96,000	Jan-14
		<u>810,000</u>	

## Why?

- Large block of contiguous space
- Lease-back provided income during hold
- Lack of corporate campus opportunities in the market
- Light rail station at entrance
- New Levi's Stadium located 0.7 mile away
- Strong market in Palo Alto, Mountain View and Sunnyvale
- Large floor plates with ample glazing and height
- N San Jose transition from business park to mixed use
- Long term potential redevelopment

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# Existing Conditions



# The L.E.E.D Conundrum

1. Champion Station is not LEED eligible, so far...
2. Champion Station is not a new planned project.

***So then how do we show the market this campus is a healthy alternative compared to a traditional business park?***



# How did we define “healthy”?

## Location

- Walkable, mixed use neighborhood
- Adjacent housing
- Neighborhood retail
- Park/Entertainment options

## Site

- Outdoor plazas with seating
- Dining options
- Pear orchard
- Drought-tolerant landscaping

## Architecture

- Maximize light and air
- Open plan
- Collaborative spaces
- Authentic materials
- Wood, galvanized metal, concrete

## Indoor/Outdoor

- All hands meeting areas
- Private patios and meeting spaces
- Operable glazing/fresh air

## Transportation

- Light Rail
- Amtrak
- Bus
- Bike
- Car

## Healthy Amenities

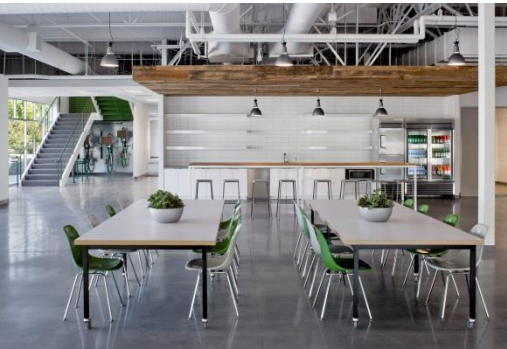
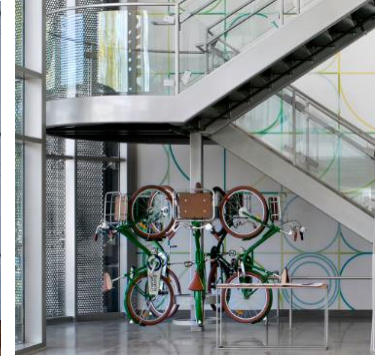
- EV charging stations
- Branded bicycles with storage
- Amenity maps to jogging/walking trails
- Par course
- Community garden
- Ride/walk to shopping
- Exercise/Amenity building(s)

## Concierge

- Facebook/Google services for smaller users
- On campus amenities

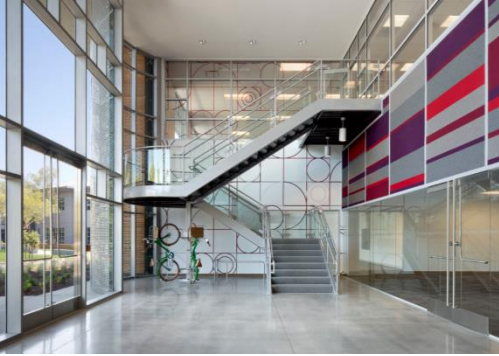
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# Spec Building Improvements



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# Spec Building Improvements



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# Marketing Materials

Banners

Brochure

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# It worked for Google



# “Healthy” Building Program Costs

Outdoor Collaborative Spaces	\$ 400,000	Deck (\$22 PSF); Concrete (\$10 PSF)
External Power Supply	\$ 6,000	Average per Outlet (\$500)
External Lighting Upgrade	\$ 35,000	LED (\$750/ea); Fluorescent (\$275/ea)
Electrical Vehicle Stations	\$ 50,000	~\$8K/station plus conduit
Bike Fleet	\$ 10,000	Per Bike (\$600)
Bike Storage/Racks	\$ 60,000	External (\$5K); Internal (\$5-10K)
Community Garden	\$ 7,500	
Barbeque and Beer Tap	\$ 25,000	
Open Office (Space/Light)	\$ 180,000	
Oversized Sliding/Nano Doors	\$ 30,000	30' Nano Wall
Glass-walled Rooms/Office	\$ 90,000	
All-hands Kitchen	\$ 225,000	
Breakout Kitchenettes	\$ 130,000	
Open Ceiling	\$ 100,000	PSF Estimate (\$7.50 PSF)
Concierge Service	\$ 25,000	Third Party Set-up plus per user
Game Room	\$ 65,000	Equipment and Furnishing
<b>Total “Healthy” Building Program Costs</b>	<b>\$1,438,500</b>	

# Underwriting Comparison

Per Building SF	Original Underwriting	Revisions	Current Underwriting
Purchase Price (Gross)	\$ 191	\$ --	\$ 191
Deferred Maintenance	\$ 9	\$ --	\$ 9
Market Ready	\$ 24	\$ 8	\$ 32
Soft Costs	\$ 4	\$ --	\$ 4
Tenant Improvements	<u>\$ 17</u>	<u>\$ 5</u>	<u>\$ 22</u>
Total Cost	\$ 245	\$ 13	\$ 258

## Lessons Learned

- Implementing a health-focused strategy is not expensive
- Commercial office tenants do not yet understand “healthy buildings”
- But in Silicon Valley they do understand employee retention and healthy buildings fit that need
- Developers need a simple rating system to encourage these efforts
- The jury is still out for programming and marketing healthy buildings in commercial real estate
- We know there is a benefit but hard to differentiate from other factors such as market lift, sustainability, location)





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