

SILICON VALLEY BUSINESS JOURNAL

THE PROJECT

Size: 18 acres fully entitled for 777,000 square feet

Sale price: \$177.5 million

Status: Early site work underway

KEY PLAYERS

BROKERS

In lease: Steve Horton and Kelly Yoder of Cushman & Wakefield in partnership with Jeff Houston and Mike Charters of CBRE.

In sale: Greg Cloth and the San Jose Eastdil Secured team along with Jeff Weber and Mark Penrod out of Eastdil's San Francisco office

DEVELOPER
Landbank

BUYER
Jay Paul Co.

GENERAL CONTRACTOR
Level 10 Construction since Dec. 22, 2015; Vance Brown Builders from Dec. 22, 2015

DESIGN ARCHITECT
HOK

LANDSCAPE ARCHITECT
HOK

EXECUTIVE ARCHITECT
KSH Architects

SUSTAINABILITY
Point Energy Innovations



The same old boring tilt-up project was not an option

BY NATHAN DONATO-WEINSTEIN

It would have been easier for Landbank to do the obvious thing: Develop a traditional office building, three or four stories tall, with hard corners and lots of surface parking. Maybe, in a flourish, a parking structure.

But the third-generation family firm had other ideas.

So begins the tale of Central & Wolfe, one of the more remarkable development projects in Silicon Valley history. And not just because of its design: Sweeping, curvilinear floors that look, from the air, like flower petals.

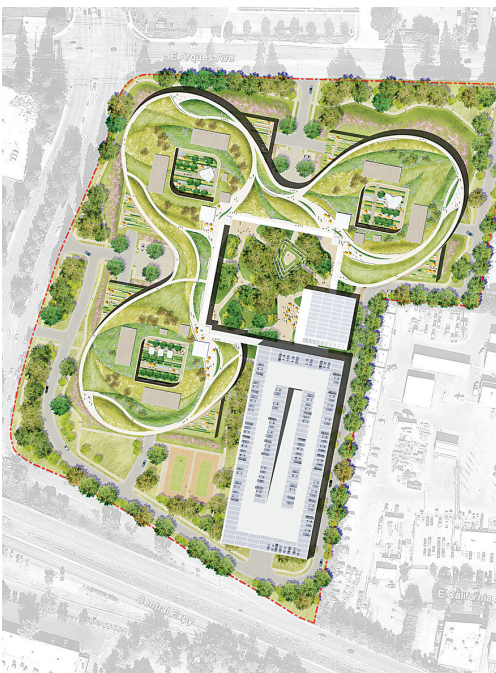
We know how it turned out. Last September, Apple Inc. leased all 777,000 square feet – making it the largest new office lease in the U.S. of 2015, according to CoStar. In December, the Jay Paul Co.

acquired the entitled land from Landbank for \$177.5 million. Construction is now underway.

It seems like the project's trajectory was charmed, but in fact Central & Wolfe faced

numerous challenges:

► Landbank had to acquire several parcels that it didn't already own to make the 18-acre project work. They included an owner-occupied, mission-critical



Central & Wolfe's LEED Platinum campus has no surface parking, abundant open space and rooftop gardens, along with 2 miles of ground-level walking and bike paths.

manufacturing facility whose owner wasn't interested in selling.

► The company needed to renegotiate more than 20 leases – so that they all would expire on or before the expected construction start date.

► Just as important, Landbank CEO Scott Jacobs had to convince the city of Sunnyvale to rezone the property at a higher floor-area ratio where officials weren't considering density increases.

► Landbank had to overcome plenty of naysayers who weren't familiar with the company's history, capabilities or its vision

for the project.

"I was expecting we'd roll it out and the city and tenants and everyone in the commercial real estate world was going to go, 'Yes, that's what we've been waiting for,'" Jacobs said. "That's not what happened."

Jacobs, who learned the real estate business from his father, Justin Jacobs, began looking at the site a couple of years earlier. He knew that the collection of tilt-up buildings was obsolete for today's tech tenants. But he also felt that the standard spec developer project wasn't right, either.

"We wanted to look away from what has been," Jacobs said when

the Business Journal profiled the project in 2013. "I think tenants lease that kind of product out of sheer necessity: It's what developers are offering."

The vision for Central & Wolfe came as tech giants like Apple, Samsung, Nvidia, Facebook and Google were rolling out high-design office campuses driven mostly by a belief that workplace can foster collaboration and innovation. At the heart of the philosophy was the notion that wide floor plates, social spaces and access to the outdoors could promote innovation.

Jacobs enlisted architecture firm

HOK, which came up with two concepts. One plan connected three massive buildings with curved floors, creating, in effect, 208,000-square-foot floor plates. The other was a more traditional, rectilinear approach. Eventually, Landbank had to decide which to formally see approvals for.

Jacobs, as he often did during inflection points in the process, consulted a trusted advisor: His dad, who passed away in August.

“This was something I really struggled with,” Jacobs recalled. “HOK said for us to keep going, you have to pick a path. I was really concerned about what felt like a risky path. I laid out all these plans for both schemes. For him, it was, ‘Are you kidding? We’re going with the curvilinear. There’s no way we’re doing rectilinear one.’”

When it came time to reveal the project to the city and to the world, the response from some quarters was skeptical. Landbank enlisted a robust brokerage team that included Steve Horton and Kelly Yoder of Cushman & Wakefield in partnership with Jeff Houston and Mike Charters of CBRE. They embarked on a road show with dozens of pitches, both direct to every tech company you could think of and the larger brokerage community.

“Of the categories of people that I showed this to, without question, the one category that got it faster than anyone, that got the vision, was the tenant community,” Jacobs said. “The CRE executives in the large tech companies, they got it.”

The list of companies with space requirements as large as Central & Wolfe is not long. Landbank was fortunate to be in the right place at the right time, as Apple was in the middle of a major expansion.

Landbank always expected to hold onto the building after leasing it and starting construction. But that’s not what happened.

“You’re constantly having to reassess what’s going on in the world,” Jacobs said. “At that point in time, all the circumstances aligned – and the right thing to do at that time was to sell this project.”

Brokers, from the leasing team to Eastdil Secured – which marketed the project for sale – “were a team of great integrity. They never took their foot off the gas pedal.”

Jacobs has the highest praise for Jay Paul executives including Jay Paul himself, Chief Investment Officer Matt Lituchy and Chief



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Operating Officer Janette D’Elia.

“It was very straightforward and honest,” Jacobs said. “There wasn’t a lot of gamesmanship. They were relays, straight-shooting people all around. And as a commercial real estate development company, they are top notch.”

Landbank has reinvested proceeds from the sale largely into Class A apartment projects throughout the country. But Landbank is not done with the Bay Area. “We have several new Bay Area project concepts and potential sites that we’re actively exploring,” Jacobs said. “I’m more excited about the future of Landbank, our industry, and the Bay Area than I’ve ever been before.”

KEY SUBCONTRACTORS

FAÇADE SYSTEMS — GLAZING AND METAL PANELS

Walters & Wolf

PLUMBING

KDS Plumbing

MECHANICAL

Critchfield Mechanical

ELECTRICAL

Redwood Electric Group

LANDSCAPING

Shooter & Butts Inc.
Landscape Contractors

UNDERGROUND UTILITIES

Preston Pipelines

DEMO AND ABATEMENT

Ferma

GROUND IMPROVEMENT

Malcolm Drilling
Company

GRADING, EARTHWORK AND PAVING

Don Tucker & Sons

STRUCTURAL CONCRETE — FORMWORK

Peck & Hiller

CONCRETE

Central Concrete

FIRE SPRINKLERS

BFP Fire Protection

FIRE ALARMS

Redwood Electric Group

ELEVATORS

Kone

INSURANCE PROVIDER

Wells Fargo Insurance
Services