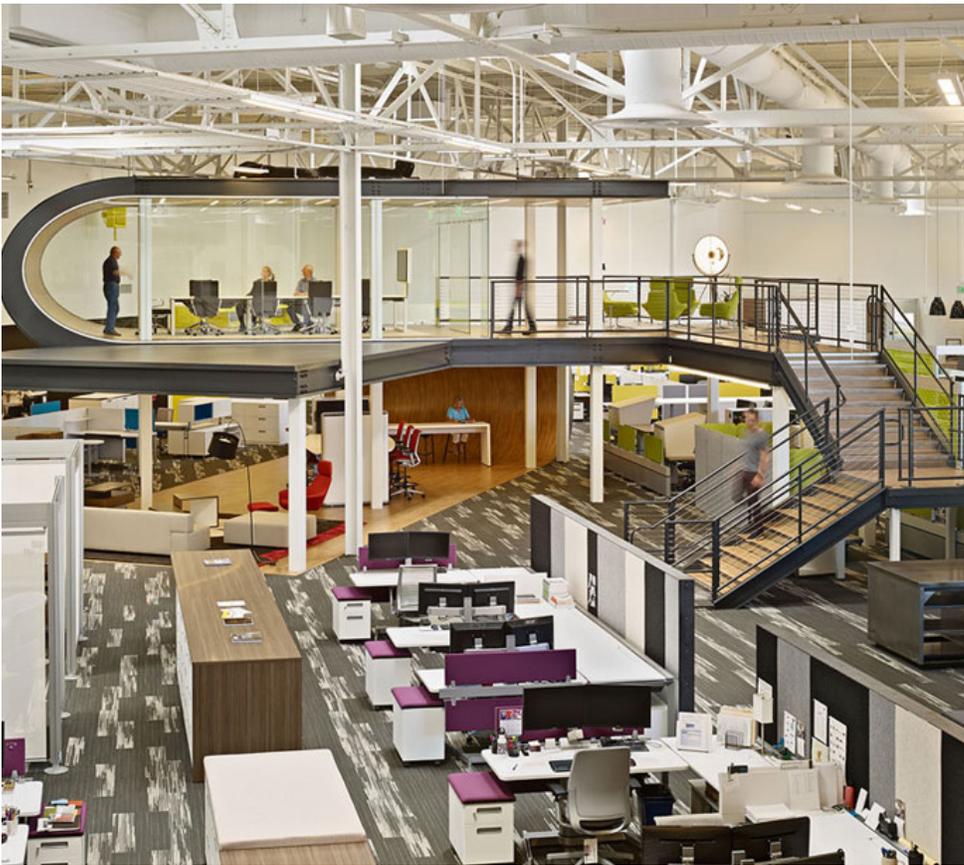


ULI Case Studies

One Workplace



BRUCE DAMONTE

One Workplace transformed part of a former paper-recycling facility in a prominent Silicon Valley location into a combination office, showroom, and distribution center for a commercial interiors firm. The "boomerang," a mezzanine level with conference rooms and an observation deck, serves as a visual landmark underneath the high office ceilings.

PROJECT SUMMARY

The One Workplace facility in Santa Clara, California, is the new corporate headquarters, showroom, and warehouse facility for one of the largest commercial furniture suppliers in the state. The firm worked closely with developer Prologis and a design and construction team to renovate, reconfigure, and update this existing industrial facility that had previously been used for paper manufacturing. The new space includes 35,000 square feet of modern collaborative open-plan office space that also serves as a showroom for the furniture and modular office pieces that One Workplace sells and installs. The new space also includes 167,000 square feet of updated warehouse space, which involved the addition of around 24 new truck docks.

QUICK FACTS

- Location**
Santa Clara, California
- Project type**
Industrial facility/park
- Site size**
9.45 acres
- Land uses**
Office, Warehouse, Showroom Space, Parking
- Keywords/special features**
Collaborative office space, Innovative interior design, Changing workplace, Space planning, Relocation, Tenant improvements, Warehouse renovation, Industrial redevelopment, Build-to-suit development, Corporate real estate, Adaptive use
- Website**
www.oneworkplace.com
- Project address**
2500 De La Cruz Boulevard
Santa Clara, CA 95050
- Developer**
Prologis Inc.
San Francisco, California
www.prologis.com
- Owner and sole tenant**
One Workplace
Santa Clara, California
www.oneworkplace.com
- Design architect**
Design Blitz
San Francisco, California
www.designblitzsf.com
- Architect of record**
Dennis Kobza & Associates Inc.
Mountain View, California
www.kobza.com
- Civil engineer**
Kier & Wright Civil Engineers
- Structural engineer**
Structural Engineers Inc.
- Construction management**
OPI Commercial Builders

Introduction

Flexibility, adaptability, innovative design, and ownership—these were four of the features that One Workplace, a furniture and modular office space supplier, was looking for when it started to think about relocating to a new space in Silicon Valley. Specifically, the company's executives wanted to use their new space to showcase their firm in a way that differentiated them from their competitors and also offered an innovative and interactive way to feature the products they were selling. The new space they acquired and redeveloped accomplished these goals while also dramatically improving the look and functionality of a tired and unsightly industrial facility in a prime industrial location adjacent to Norman Y. Mineta San Jose International Airport. The One Workplace project was developed for One Workplace by Prologis via a build-to-suit contract.

The Background, Idea, and Site

The One Workplace project involved the converging interests of a developer and a tenant/owner, each of whom separately identified the property for redevelopment in 2009, but for different reasons and with different ideas in mind.

The tenant/owner. Founded in 1925, One Workplace is a family-owned company in the business of improving "the lifestyle and efficiencies of organizations and their employees by creating integrated, flexible, and custom-tailored workspaces." Its customers are in the health care, educational, financial, and high-tech industries, and range from startups to Fortune 500 companies. According to the company's website, they "develop and implement workplace environment solutions that shape company culture and behavior by encouraging collaboration, fostering creativity,

Before and after views of the building's front entrance.



One Workplace repurposed part of an existing industrial facility on a busy road just outside Norman Y. Mineta San Jose International Airport.

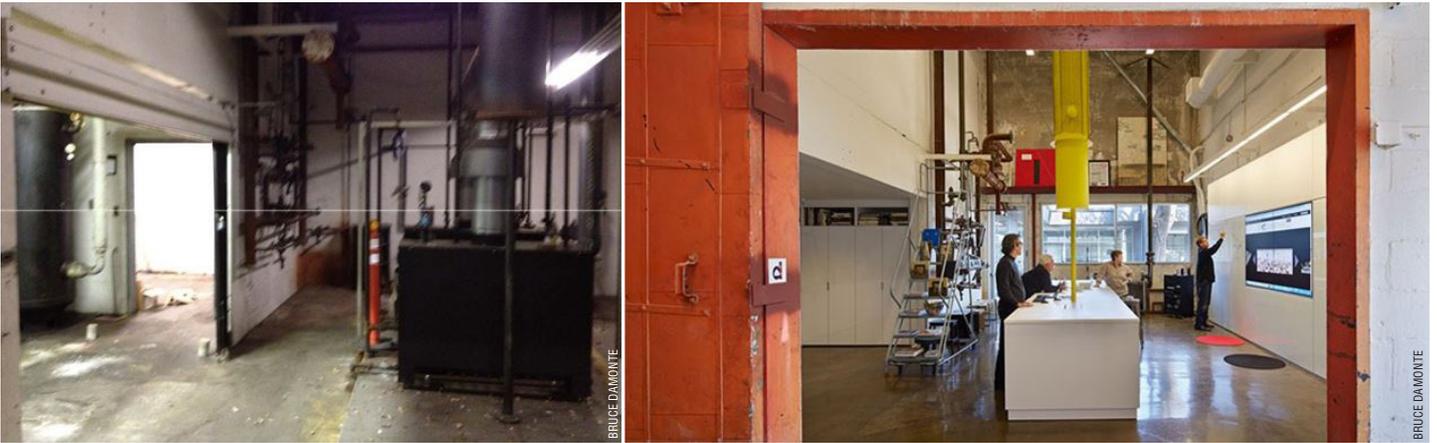
promoting productivity, and inspiring innovation." One Workplace sells furniture, prefabricated walls and units, raised flooring systems, and technology, and also offers related design and installation services. The company has three regional offices in the Bay Area.

The company was previously located in leased space in Milpitas, approximately six miles away. That space included about 275,000 square feet of warehouse space and 58,000 square feet of office space, the latter arranged as very traditional workspace with drywall offices. Several years prior to its lease expiration, the firm began exploring its options. Its landlord at the time was asking for a lease renewal rent that was higher than what One Workplace executives thought was reasonable. In addition, company leaders preferred to own their own facility and not be at the mercy of a landlord; the 2008–2009 recession and its aftermath offered an

opportune time to act on this desire at an affordable price.

One Workplace executives also thought that they could reduce the amount of space they occupied by implementing space efficiencies in both their office space and their warehouse space. As a result, they began to look around at new locations, including industrial locations in Santa Clara, where the firm had been located many years earlier. One of their original facilities was just down the street from the new facility they acquired.

Existing site features. The site that they identified and eventually acquired was located in Santa Clara and part of a 26-acre site owned by Graphics Packaging, a paper carton manufacturing operation. The portion of the site that was acquired encompasses 9.45 acres, including 4.64 acres of building area, 3.79 acres of paved parking and truck dock areas, and 1.02 acres of open space. The carton manufacturing facility



Before and after views of a small machinery room that was turned into One Workplace's design lab.

still operates on the remaining 16-acre property. The building they acquired was a 1950s-era building in need of repairs and updating. Notes Dave Ferrari, president of One Workplace, "The building used to be an eyesore; it was the eyesore of Santa Clara." Recycled paper was blowing about everywhere, and there was a lot of deferred maintenance as well.

Santa Clara was known to be a city that was welcoming and easy to work with, and it also had attractive energy rates. The property and most of the surrounding area are zoned for industrial uses.

The property is strategically located directly on De La Cruz Boulevard, an airport frontage road, with San Jose Airport's runways visible from the building. The property is bordered on the south by Martin Avenue, and the facility can be accessed via either of these streets. Directly to the west of the property at the back of the building lies a rail line.

One of the original acquisition issues that had to be negotiated was how much truck docking and movement area could be ac-

quired at the back, and how wide the access road would be to the paper facility along the rail line; this access road had to serve as the primary truck access route to the Graphics Packaging facility. One Workplace was able to prevail in acquiring the depth and access that it needed behind the building.

The existing facility was in need of cleanup, repair, and a major upgrade. Notes Seth Hanley, principal and creative director for architect Design Blitz, "We walked in and there were massive rolls of paper and equipment all over the place and some pretty interesting machinery." Some of this equipment was retained and is still in the building, offering an opportunity for the designers to take some of the bones of the existing building and really celebrate those elements. Hanley notes: "We like to refer to free architecture, which is what is already in a project. What [can we retain and] what things can we take away to reveal the interior of something interesting."

Developer role and site acquisition.

Around the same time that One Workplace be-

gan its relocation process, Prologis had been looking at this Graphics Packaging property that was being offered for sale. The paper company no longer needed all the space that it occupied, though it did intend to continue its operations on about half of the site. The contract to purchase the property was initially obtained by another developer with a tenant in mind, but the deal did not mature and the rights to the contract/purchase agreement were acquired by Prologis, which saw potential for redevelopment of the site as an industrial facility. Notes Mark Hansen, managing director, value-added investments for Prologis, "Our thought was that it would stay industrial, either as a manufacturing building or some kind of warehousing or distribution building."

One Workplace executives approached Prologis regarding the building, working with a broker, and eventually entered into negotiations with Prologis to redevelop the property and become the sole tenant. Notes Hansen, "When the Ferraris approached us about the building, it really became a completely differ-

Before and after views of the paper factory floor, which became One Workplace's main office.



ent vision . . . converting the industrial into a high-end showroom space and increasing the office area, and improving the image of the building significantly.”

Prologis assigned its contract to One Workplace and then took on the role of build-to-suit developer of the property. Prologis already had an architect and a contractor in place that had done preliminary work on the property, so they and One Workplace chose to continue working with those firms to manage construction, while also adding a new architecture firm to handle the office/showroom design. Prologis used a design-build cost-plus agreement for delivery.

Approval Process

The approval process involved not only the typical building codes and site and parking issues, but also economic development issues and an unusual condominium mapping approach. Notes Hansen of Prologis, “We had to go through the condominium mapping and then all the other conditions of approval that were required in order to get the increased number of square feet for office, installing all the new truck walls and truck docks that we put in and how they would operate, and then all of the stormwater management.”

The entire approval process involved multiple department reviews, but generally went smoothly, since municipal officials appreciated the benefits of the project for the city. While the city did have issues and concerns, its general approach was to be accommodating. Notes Kevin Riley, director of planning and inspection at the time for the city of Santa Clara, the city’s approach involved asking, “What can we do that won’t discourage them?”

Condominium strategy. The actual property sale had to be arranged using a condo mapping agreement as opposed to a subdivision. Hansen notes, “One of the early components that we discovered was that if we tried to do a subdivision through a regular mapping, the remaining facility would have to be brought up to ADA [Americans with Disabilities Act] compliance. The seller was unwilling to do that. So, we started working with the city on alternative structures, including doing a condominium map, which mapped this property under separate ownerships, but [as a] single property under a single map.” The two properties share a wall and a fire system.

The first filing for the condominium map occurred in August 2009, and involved a tentative

parcel map to split the property using the condo strategy, creating two condo parcels on the overall land parcel. In September 2010, this condo map subdivision was approved by the city council.

Economic development goals. The city was very receptive to the redevelopment concept, since it stood to gain considerable new tax revenues from both property taxes and sales taxes (from the furniture sales). Notes Riley: “We looked at the project as a great economic development opportunity. They are one of our top contributors to sales tax.” Notes Ferrari: “We might do \$385 million in business in 2017, and this generates considerable sales tax for the city of Santa Clara.”

The city also liked the upgrade to the exterior. Because of these considerable benefits, the city waived several requirements that had initially been in place, including the addition of sidewalks and the addition of a new streetlight, both of which were deferred, since they were costly improvements that One Workplace could not afford. Moreover, if the sidewalks were required, One Workplace would not have had enough space to get the trucks in and out. The area does not generally generate much pedestrian traffic, so the city made a one-time concession regarding the sidewalks. The city, notes Ferrari, “was very flexible to work with, a great team to work with.”

Approvals. The industrial zoning classification did not need to be changed, but the development did need approval for an increased square footage of office space on the site. Occupant load issues and estimates were an issue during the approval process. The office/showroom concept was not a typical use and the occupant load assumptions had to be negotiated. Even with the increased office space, the development was able to meet parking requirements and accommodate parking needs.

Prologis and One Workplace worked out a development agreement with the city that provided for the deferral of several things—sidewalks, the undergrounding of electrical lines, signal improvements—that the city wanted in the future but were not required for this redevelopment. One Workplace was required to put in a bus stop and contribute about \$250,000 to a traffic signal modification.

Development Finance

The total development costs for the project came to \$18.6 million, including around \$8.1 million for the site, hard costs of \$7.8 million, and soft costs of \$2.7 million. One Work-

place provided \$5.6 million in equity via internal funds, and debt capital totaled \$13 million raised via industrial development bonds.

One Workplace used a creative financing vehicle to purchase and redevelop the property. John Schultz, the company’s chief operations officer, orchestrated a variable-rate industrial development bond for 30 years floated on the public markets, which was backed by a letter of credit from the company’s bank. There is no prepayment penalty. The bonds were floated in conjunction with the purchase of the building. Ferrari notes: “We got [connected] with a consultant who could help us with [the bond financing]. There were a lot of upfront costs with attorneys and paperwork. We were easily approved. That gave us a pot of money to build with. We used about \$1.5 million less than the bond financing would have provided.” This bond financing provided the owners with a floating 1 to 2 percent interest rate with attractive caps over 30 years. A mortgage might have been 6 or 7 percent.

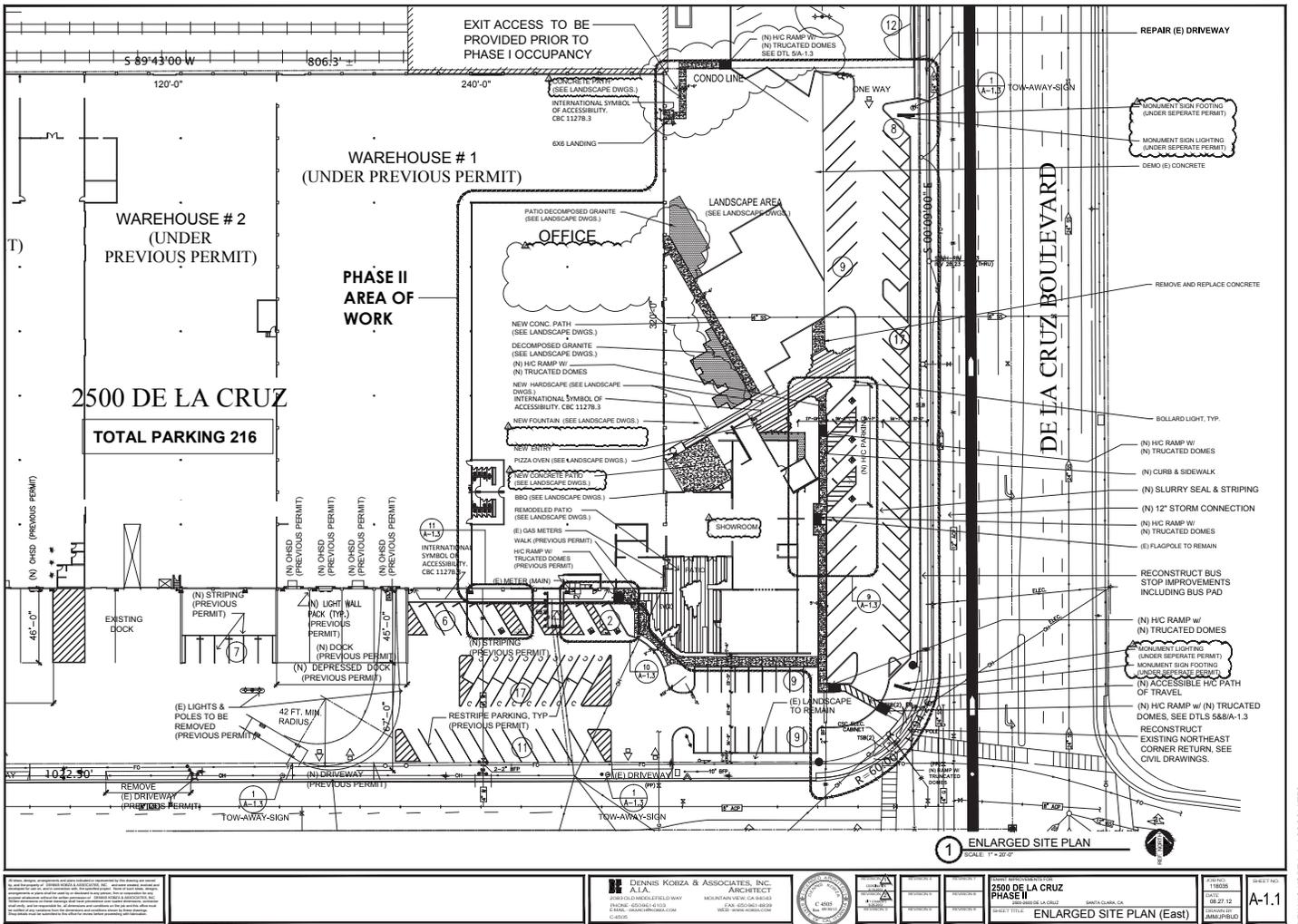
One Workplace wanted to own its own facility, and it turned out to be a great time in the market to acquire and improve this asset. Property prices were relatively low at the time of the final purchase in July 2012, as were construction costs. Notes Ferrari: “As a company, we are glad to own; we control our own destiny.”

Planning and Design

The design of One Workplace was not simply the work of the architects, but essentially involved a collaboration among the owner, developer, designers, engineers, and contractors, all working together. Notes Hanley: “We really like projects where when you stand back and you [ask], ‘Well, who designed that?’ The answer is, ‘We all did.’” Each team member contributed to the process from the beginning, evaluating design alternatives, pricing them out as they went along, working out budgets, and value-engineering the project continuously. The team held weekly meetings to address issues and work out problems, and this resulted in many refinements to the initial design ideas to fit the budget. Notes Bud Kobza, principal of Dennis Kobza & Associates: “We would sit with OPI Construction after design meetings and crunch numbers with them. We had a lot of experience doing that with OPI on different Prologis projects.”

Existing structural elements. The existing facility that was acquired included four aging buildings—three connected warehouse build-

SITE PLAN



Meeting rooms adjacent to the entrance double as opportunities to showcase products available for purchase.

ings and one small office building at the front—that had been erected at different times with different structural elements. The buildings were all generally unattractive and in poor condition, including poor exteriors, a leaky roof, and concrete floors in need of repair. The warehouses also included only four truck docks—far fewer than what was required. The design process required a lot of initial design and structural evaluation. But the space was functionally practical in that it was a large warehouse with high 22- to 30-foot ceilings, and it was also readily adapted to office/showroom space. The total building included 202,000 square feet of space.

Design/construction team and phasing.

Two architects worked on the project. The architect of record is Dennis Kobza & Associates, which focused primarily on the core and shell of the building and the warehouse renovation. The design architect for the showroom exterior and interior was Design Blitz.

The Kobza firm had been retained by Pro-

logis when the latter initially acquired the rights to the building, and Kobza continued once One Workplace signed on. Kobza had worked with Prologis many times before, and had also worked with One Workplace previously on several Google projects where One Workplace was the furniture supplier.

Design Blitz was a small and young firm. Notes Ferrari: “We wanted to give an up-and-coming architectural firm an opportunity to grow.” One Workplace works with a lot of architecture firms in their day-to-day business, and they had recently done a project with Design Blitz and enjoyed working with them. They also wanted a design firm’s principal-level people working on their project. Design Blitz grew from six people at the time they started the project to a firm of roughly 20 people in 2017. Other key team members include Kier & Wright Civil Engineers, Structural Engineers Inc., and contractor OPI Commercial Builders.

The first phase of design and construction began with the warehouse space at the back of the site and then worked forward; this first phase also included site work, including bioswales, paved surfaces, and truck docks. The second phase focused on the front and side facades of the building, and the third phase focused on the interior office and showroom space. The phasing involved three permits: one for the site and warehouse, one for the facade and site area in the front, and one for the office/showroom.

Warehouse renovation and new docks.

The renovation of the 167,000 square feet of warehouse space, including three different buildings erected at different times, began at the warehouse furthest to the back. The buildings were originally constructed starting in the 1950s and then added onto over 15 years. The buildings range from about 24 feet to 30 feet in clear height. The space was to be used to store product for customers and to receive product not going to job sites immediately.

The architects and the contractors implemented a plan to repair the roof and concrete floors, add material and reinforcement to the metal walls to improve building security, and add numerous truck docks to the side of the building facing Martin Avenue, and at the back along the railroad tracks. They also installed a more efficient racking system that allowed them to use less space than in the previous location. The warehouse space shrank from 275,000 square feet in the old location down to



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Special approvals were needed to prominently feature the company's name across the building's front facade. The name is visible even from the airport across the street.



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A perforated-metal screen creates a transition between outdoors and indoors at the main entrance.

167,000 square feet at the new site.

They also added solar panels on the roof to create a 285-kilowatt solar power system; the building now generates most of its own power and the owners are selling power back to the grid. Energy-efficient lighting and an upgraded sprinkler system also were added. The fire protection loop system in place was retained and is still connected to the adjacent Graphics

Packaging building. Covenants and a maintenance agreement govern that system. Original water cannons on the roof were also retained for additional fire protection.

The original building had only four truck docks, so much of the work focused on the addition of 24-plus new truck docks. The buildings are grade-level structures, not dock-high buildings, so these dock additions required soil re-

removal to create depressed docks so that trucks could be unloaded at warehouse-floor level. Notes Hansen of Prologis: “We did have to come back afterward and do some additional work in the dock area” to resolve grade issues. While the initial grading of the truck docks would have worked for most users, One Workplace managers found that some of the furniture on wheels was rolling out of the trucks because of the grade, so they had to regrade to flatten the dock area to stop this from happening. There are no train deliveries to One Workplace, so connecting to the rail line was not an issue.

Building facade, entrance, and exterior improvements. To transform the office/showroom space at the front, the designers needed to add light. Seven windows were added to the front facade, four 20-foot-high windows and three ten-foot-high windows. With the window additions, structural reinforcement was also added to ensure that the building met seismic requirements. Notes Hansen, “This was one of the oldest tilt-up warehouses in Silicon Valley. The building included big pilasters on the outside that were helpful in allowing them to add large windows to the front of the building.”

The exterior of the new office portion of the original warehouse space, including the front and the side, was painted gray and black, featuring the company name in large letters across the entire front of the building; the word *CREATIVITY* appears on the side wall of the office/showroom space. The lettering was part of a new logo and branding for the company. The front facade signage is technically a mural, and the designers sought to make the signage look like an art piece rather than a sign, which was essential to gain approval from the city, since a large sign was not typically allowed on the front of a building. The city council unanimously approved the facade and signage.

Converting the warehouse space to office space also required that the space meet energy standards for the new office use, so the developers added a foam roof that enables them to comply with Title 24 regarding energy efficiency. The roof was first repaired, and then a rigid insulation and a foam roof application were added from the top. Also, several skylights were added to the roof.

In addition, an existing small, nondescript building, which had been added to the front and used for office space by the paper company, was

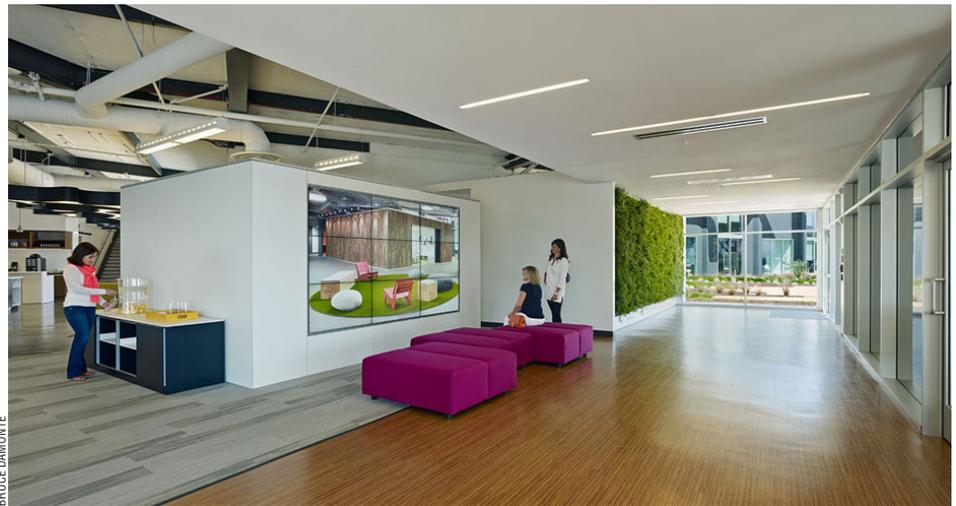
partially reclad with a perforated, rusted steel framing material that gave the front entrance a new, modern look. The perforations are used to “paint a picture” of some of the original trees that had been on the property. The screen was manufactured off site and then assembled on site. The rusted metal screen now covers one corner of the building and is used as a design feature to direct the visitor to the main entrance.

Interior entrance features/hospitality hub.

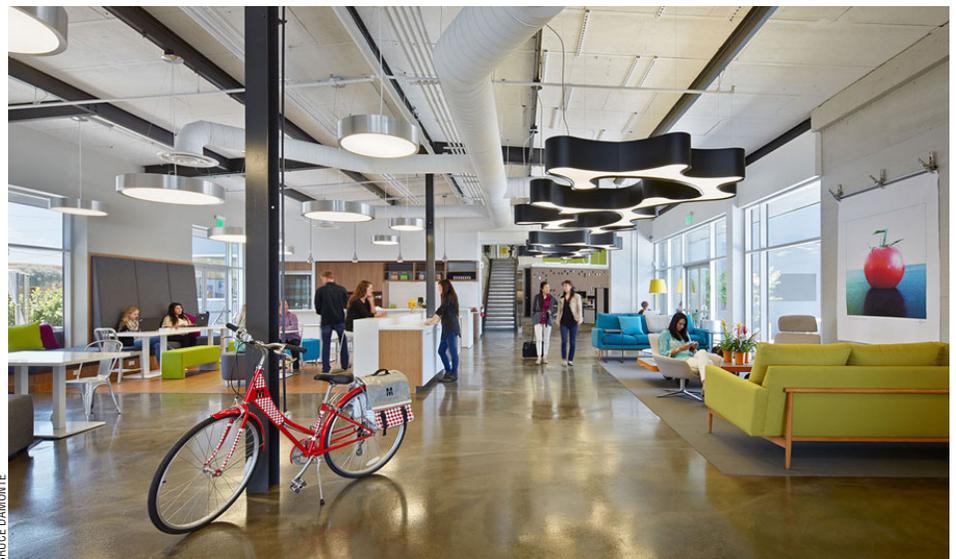
Visitors enter the facility via the side of the rusted steel frame portion of the structure. Then they move along a wide passage where they are greeted by large video screens and by one of the company staff, who is typically working at a table rather than behind a traditional reception desk. The visitor is immediately exposed to a variety of furniture arrangements in meeting rooms that are used by the One Workplace staff,

including couches, desk modules, tiny phone rooms, and meeting rooms. The overall design uses a number of “touchpoints” that guide customers and users through the space, including wayfinding features and vistas.

Behind the initial reception area are additional furniture display and work areas within a building addition that features exposed wood-frame ceilings and wood floors. Hanley notes that one of the biggest challenges in the project was “bringing a human scale to the exterior and interior of what is a very large warehouse building.” Leveraging pieces of interior architecture, such as exposing, enhancing, and/or restoring the wood framing and floors, helps give people touchpoints, allowing them to feel like they are in a space that is really scaled to them. Notes Hanley: “[It is important to create] spaces that have stories, layers, things that are interesting that you can build off of for a new



A green wall and large screens welcome visitors at the main entrance.



A casual kitchen area just beyond the main entrance also functions as a space to showcase furniture.

design narrative.”

Behind this area, pull-up garage doors lead to outside lounge/work areas that add a casual resort feel to the space; this area includes furniture and technology for workers to use. The area is very popular with workers when the weather is pleasant, which is often the case in Santa Clara.

Proceeding to the right from the welcome area, the visitor encounters a kitchen and café/dining area, with additional furniture and modular unit concepts on view and workers engaged in various dining, meeting, and work activities. All the areas above are within the original office building.

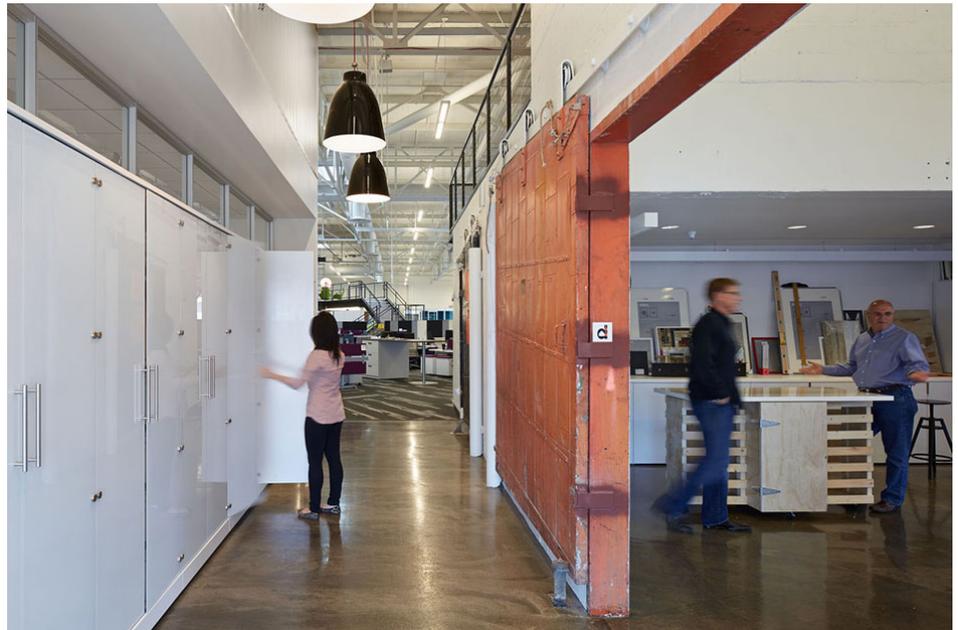
Warehouse conversion to office/showroom space.

Further back, beyond the café area and within the converted warehouse space, is the main office space and showroom area, where the space opens up dramatically and ceiling heights increase to 30 feet. The space serves two purposes: one as flexible and collaborative space for the company staff to operate in, and the other as a showroom where furniture buyers can see a wide variety of furnishings in a real-world working environment. Ferrari notes: “Everything we put in here are items that we typically sell to build out the interior of a space for a client.” Notes Hanley: “The space is not transactional, it’s collaborative.”

Ferrari says, “We wanted to be able to tell a story to our clients of how we could plan a space for them. When we walk a customer through here, [the space] leverages the different tenets of our business,” including furniture and modular construction. “What we attempted to do was to show what we can do to transform a space . . . show them how we could leverage the physical space and have more employees and less square footage by the way we designed the space.” The One Workplace team also wanted to create space that was much more attractive to millennial workers, and they wanted a timeless space that they could adapt and change over time.

The new space has few assigned workstations, with roughly 70 to 80 staff who do not have a designated place to sit. But the space does include a wide variety of furniture types and styles, and many modular rooms of various sizes, including numerous small meeting rooms. The meeting rooms are essentially modular buildings inside the larger building, with their own lighting and HVAC issues.

A low-profile floor for electrical and data wiring was also added. The floor is not a sealed plenum and allows for easy reconfiguration. The



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Some elements from the building’s industrial use—like the concrete floor and heavy-duty doors to the design lab—were carried over to the current use.

flooring is one of the many products that One Workplace sells. The raised floor added about \$6 per square foot to the cost of the office space.

The new design allowed the office space to shrink from 58,000 square feet in the previous location down to 35,000 square feet in the new space, while the employee count increased from 101 to 165.

Sculpted mezzanine and special-use rooms. In the middle of this large office/showroom space is a signature element, a sculpted and curving mezzanine level that is accessed by stairs and from which the visitor can view the entire workspace/showroom from above. From this perch, customers can view a variety of furniture types, styles, and arrangements, as well as modular meeting room spaces, some along the walls and others at the center. This mezzanine also includes a glass-enclosed conference room.

In creating the sculpted mezzanine, nicknamed the “boomerang,” the designers sought to address the question, “How do you move people through the space and give them a great experience?” Notes Hanley, “There needed to be an orienting element in the middle of the large warehouse office space, and the boomerang was born.” Notes Ferrari: “We wanted to have something to break up the space because it is a high-bay building.”

But the boomerang was also a point of contention among the design/development team, since a conventional construction approach would be costly. Eventually, a design

concept emerged that involved modular construction, with the only customized pieces the curves on the ends. A prefabricated structure, using structural steel and a decking on top, was brought through the doors and bolted together; the boomerang was built in five weeks. Notes Evan Quinn, vice president of OPI Commercial Builders, “The whole team worked together to come up with the right vendor and they assembled the structure for [roughly] a third of the original cost.” One Workplace saved roughly \$250,000 by using the prefabricated approach.

The converted warehouse building also included several small rooms originally used for specialized manufacturing or chemical procedures. These rooms were retained, as was a small mezzanine level above, and are now among the more distinctive features of the project. Two of the rooms had fire protection doors that were designed to close automatically if a fire occurred inside the room. The fire protection system used lead that would melt in a fire, which would release the doors to close via gravity. These rooms and doors have been preserved and are used as special showrooms and presentation/meeting rooms. A small gym is also located in this area for employees to use.

Open space, landscaping, and parking.

Landscaping and seating were added to the front of the building, including tables and seating for workers to use for work or relaxation, a garden area including fruit trees and a small



BRUCE DAMONTE

A patio offers shaded and sunny areas for outdoor gatherings.

vineyard, and an old Airstream trailer that has been parked in the middle of the front landscaped area. As noted, a smaller and more private outdoor patio area is also located in a cove between the front office space and the parking lot along the side of the building.

Auto access and parking are provided from both De La Cruz Boulevard and Martin Avenue. Customer parking is primarily located at the front of the building; employee and customer parking is also located along the Martin Avenue side of the building. The paved and parking areas were resurfaced and restriped. A total of 302 surface parking spaces are on the site. One-way circulation is provided across the front of the building via a narrow section of the site at the corner that connects the parking lots. Truck access is from Martin Avenue only. Access to the paper facility is also provided from Martin Avenue, at the very back of the site adjacent to the railroad tracks.

Management and Performance

The new location and space have greatly helped One Workplace showcase their product, and have helped them produce their largest sales year ever in 2016. Company sales increased from the low-\$200 million range to the mid-\$300 million range in two years, a 30 percent increase since the new facility was opened. Notes Ferrari: “The payback for us was about a year and a half. We took so much market share in a two-year time because we

built this space.” The new facility has also allowed the company to keep distribution on site. Moreover, by one broker’s estimate, the value of the property has probably doubled in value. Since completion, the space has been written up in a number of publications, and the building is toured weekly by a number of tech tenants who take inspiration from it and use it as an example of how they can build out their own space.

With a large number of employees in an industrial location, employee access to lunch-time food is a problem. One solution they have used to address this is food trucks that often visit the project.

The design and technology that were used contributed to very low HVAC operating costs. The building uses solar panels to generate most of its energy needs. The system is managed by the technology firm Apparent, which bills itself as “a smart grid solution powered by big data. We build intelligent technology to revolutionize energy production, delivery, and use.” The technology is designed to manage energy use and costs by learning from both the customer’s energy use and the energy sources the customer is connected to. Notes George E. Salah, chairman and CEO of Apparent Inc., “Solar is a disruptive force. Our technology provides a real-time platform that manages the energy, makes decisions for the benefit of the full economics of energy, whether it be the producer of the energy or the consumer.” Notes Ferrari, “Now that we have

OTHER PARTICIPANTS

Interviewees

Dave Ferrari, president, One Workplace

Mark Hansen, managing director, value-added investments, Prologis LLC

Seth Hanley, principal and creative director, Design Blitz

Bud Kobza, principal, Dennis Kobza & Associates Inc.

Edward Hofer, executive vice president, San Jose–Silicon Valley, Colliers International

Kevin Riley, director of planning and inspection, City of Santa Clara

Evan Quinn, vice president, OPI Commercial Builders

George E. Salah, chairman and CEO, Apparent Inc.

approval from the public utility commission to sell back to the grid, we may add more panels to the warehouse portion of the building.”

Observations and Lessons Learned

Older industrial buildings can be unattractive, but with a little vision and new investment, they can frequently be transformed into more attractive and productive facilities. Notes Hansen: “Taking an older building and putting it back into a modern use is a challenge. The story of this project was taking an old structure, peeling back the onion, finding the beauty that was there, and then showcasing that, creating a very functional new operating space for the owner.”

Notes Edward Hofer, an executive vice president with Colliers International, “Most people who go by this building having seen it before can’t believe what it is [today].”

One Workplace is also a great example of how creative office space can be achieved in older buildings through adaptive use. Adaptive use of warehouse space can be both a sustainable and an effective solution to fulfill creative tenant space requirements, repurposing antiquated buildings into distinctive, state-of-the-art creative space.

A collaborative approach to design can yield many dividends, both in better design and cost savings. Notes Hanley, “This is one of the most

collaborative projects I have ever worked on. Everyone was at the table. Everyone was designing. Everyone was leveraging each other’s experience. It was really a true team effort across the board.” Notes Hansen of Prologis, “We were value-engineering in real time. One of the biggest challenges was meeting the budget. We constantly had to work with the architect and the owner [and contractor] in budgeting how we were actually going to deliver the space for what they could afford.”

Numerous challenges were overcome in executing this development, including the need to create a condominium map, and the need to tightly control construction costs. Hansen notes: “Be persistent to get something done. At every hurdle, you have to find a solution. We had so many hurdles. Be creative and think outside the box to achieve solutions.” Notes Hofer, “Patience is a virtue and persistence is critical in any sort of a reuse development.”

For Ferrari, creating modern and flexible space is the right way to go in today’s changing work environment. “You have to build a facility that’s very flexible that can meet the needs of tomorrow. Future proofing is a key goal.” An open office plan that uses a modular approach is one way to address this issue.

One of the biggest challenges was the tight time frame and intense phasing that were required to complete the project on schedule.

Construction began in September 2012 and was completed in about five months, by February 2013. This required a strong phasing plan, weekly team meetings, and strict scheduling and construction management timetables.

The developer, the owner, and the city worked closely together in a productive manner to achieve positive results for each. Ferrari emphasizes that to be successful, developers and owners need to get to know the city officials. “Let them know what you are going to bring to the city. Treat people right. Be respectful and explain your position. Share the reality of finances, and value versus cost.” The initial public requirements were expensive, but the developer and city were able to negotiate successfully such that both got what they needed and wanted from the project.

From the city’s perspective, when a company and/or developer proposes a project that offers strong benefits to a city, the city should work creatively to help bring it about it. Notes Riley, “For us, it was a real plus to have One Workplace in the city. [We chose to] think creatively about how to get them in without bending or breaking rules. There is a lot of room for interpretation in the zoning code. Don’t throw rules in the way if you don’t have to. Take a good close look at your rules and make sure you are doing the right thing to get the tenants you want. Overall, this was a big improvement for the city.”

PROJECT INFORMATION

Development timeline

Prologis began investigation of property	2009
Prologis filed for condo map	August 2009
City Council approved condo map	September 2010
Planning/design started	2011
Site purchased	July 2012
Construction financing arranged	July 2012
Construction started	September 2012
Project completed	February 2013

Gross building area

	Building area (sq ft)
Office/showroom	35,000
Warehouse/distribution/industrial	167,000
Total GBA	202,000
Parking spaces	302 spaces
Surface parking	165,207 sq ft

Land use plan

Use	Site area (acres)	% of site
Open space	1.02	11%
Parking/shipping	3.79	40%
Building	4.64	49%
Total site area	9.45	100%

Office information

Office net rentable area (NRA)	35,000 sq ft
Typical floor size	35,000 sq ft
Percentage of NRA occupied	100
Annual rents	Owner occupied
Average length of lease	Owned by tenant

Warehouse/showroom information

Warehouse net rentable area	167,000 sq ft
Percentage of NRA occupied	100
Annual rents	Owner occupied
Average length of lease	Owned by tenant

Development cost information

Site acquisition cost	\$8,059,511
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Hard costs

Warehouse and site	\$3,512,052
Facade	\$1,035,528
Interior office	\$191,548
Tenant improvements	\$3,094,529

Total	\$7,833,657
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Soft costs

Architectural, structural, and landscaping	\$434,388
Civil, soils, and staking	\$109,950
City and municipal fees	\$115,623
Insurance	\$19,709
Legal	\$60,331
Title	\$15,455
Financing fees	\$420,112
Developer fees	\$1,500,000

Total	\$2,675,568
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Total development cost	\$18,568,736
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Hard costs per square foot	\$78.68
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Total development costs per square foot	\$91.92
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Financing sources

Equity capital sources

One Workplace capital	\$5,600,000
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Debt capital sources

Variable-rate demand bonds	\$13,000,000
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About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 40,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Patrick L. Phillips, Global Chief Executive Officer

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ULI CASE STUDIES

The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. For more information, visit the ULI Case Studies website at casesudies.uli.org.

Dean Schwanke

Senior Vice President
Case Studies and Publications
Principal Author

Payton Chung

Director
Case Studies and Publications

James A. Mulligan

Senior Editor

David James Rose

Manuscript Editor

Betsy Van Buskirk

Creative Director

Anne Morgan

Graphic Design

Martin Schell

Director, Digital Communications

Elizabeth Herrgott, Feast Studios

Videography

© 2017 Urban Land Institute
2001 L Street, NW
Suite 200
Washington, DC 20036