At the Corner of Healthy and Profitable:
The Return on Investment in Developing Healthy Places

May 13, 2015
CHAMPION STATION
Where?
CHAMPION STATION

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
### CHAMPION STATION

#### The Buy

<table>
<thead>
<tr>
<th>Bldg</th>
<th>Address</th>
<th>Size (SF)</th>
<th>Avail.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>110 W Tasman</td>
<td>138,000</td>
<td>Jan-17</td>
</tr>
<tr>
<td>B</td>
<td>130 W Tasman</td>
<td>96,000</td>
<td>Jan-17</td>
</tr>
<tr>
<td>C</td>
<td>150 W Tasman</td>
<td>96,000</td>
<td>Jan-17</td>
</tr>
<tr>
<td>D</td>
<td>170 W Tasman</td>
<td>96,000</td>
<td>Jan-17</td>
</tr>
<tr>
<td>E</td>
<td>190 W Tasman</td>
<td>96,000</td>
<td>Jan-15</td>
</tr>
<tr>
<td>F</td>
<td>210 W Tasman</td>
<td>96,000</td>
<td>Nov-14</td>
</tr>
<tr>
<td>G</td>
<td>230 W Tasman</td>
<td>96,000</td>
<td>Jan-14</td>
</tr>
<tr>
<td>H</td>
<td>250 W Tasman</td>
<td>96,000</td>
<td>Jan-14</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>810,000</strong></td>
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</tbody>
</table>
CHAMPION STATION

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
CHAMPION STATION

Existing Conditions
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?
CHAMPION STATION

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
CHAMPION STATION
Spec Building Improvements
Spec Building Improvements
CHAMPION STATION
Marketing Materials

Banners

Brochure
It worked for Google
<table>
<thead>
<tr>
<th>Feature</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outdoor Collaborative Spaces</td>
<td>$400,000</td>
</tr>
<tr>
<td>External Power Supply</td>
<td>$6,000</td>
</tr>
<tr>
<td>External Lighting Upgrade</td>
<td>$35,000</td>
</tr>
<tr>
<td>Electrical Vehicle Stations</td>
<td>$50,000</td>
</tr>
<tr>
<td>Bike Fleet</td>
<td>$10,000</td>
</tr>
<tr>
<td>Bike Storage/Racks</td>
<td>$60,000</td>
</tr>
<tr>
<td>Community Garden</td>
<td>$7,500</td>
</tr>
<tr>
<td>Barbeque and Beer Tap</td>
<td>$25,000</td>
</tr>
<tr>
<td>Open Office (Space/Light)</td>
<td>$180,000</td>
</tr>
<tr>
<td>Oversized Sliding/Nano Doors</td>
<td>$30,000</td>
</tr>
<tr>
<td>Glass-walled Rooms/Office</td>
<td>$90,000</td>
</tr>
<tr>
<td>All-hands Kitchen</td>
<td>$225,000</td>
</tr>
<tr>
<td>Breakout Kitchenettes</td>
<td>$130,000</td>
</tr>
<tr>
<td>Open Ceiling</td>
<td>$100,000</td>
</tr>
<tr>
<td>Concierge Service</td>
<td>$25,000</td>
</tr>
<tr>
<td>Game Room</td>
<td>$65,000</td>
</tr>
<tr>
<td><strong>Total “Healthy” Building Program Costs</strong></td>
<td><strong>$1,438,500</strong></td>
</tr>
<tr>
<td>Per Building SF</td>
<td>Original Underwriting</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Purchase Price (Gross)</td>
<td>$ 191</td>
</tr>
<tr>
<td>Deferred Maintenance</td>
<td>$ 9</td>
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<tr>
<td>Market Ready</td>
<td>$ 24</td>
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<tr>
<td>Soft Costs</td>
<td>$ 4</td>
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<tr>
<td>Tenant Improvements</td>
<td>$ 17</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$ 245</td>
</tr>
</tbody>
</table>
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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