America Center: From brownfield to ‘Campus of the Future’

BY KATHERINE CONRAD

SAN JOSE – Rising from a bluff above San Francisco Bay, Legacy Partners’ America Center waits for a sluggish market to turn and find its way to one of the “greenest” office projects in Silicon Valley.

While the slow market has shown signs of picking up, the challenge of finding tenants seems small compared to the challenge of constructing the project in the first place.

The two six-story buildings now surrounded by tall palms and 35 acres of lush open space bear no resemblance to what it was in the late 1990s when developer Ed Thrift first saw it. Back then the 70-acre site, which was owned by salt maker Cargill Inc., was an eyesore that had served for decades as a dump for construction debris.

But Thrift, then president of Legacy Partners, believed the site located at the end of Great America Parkway and just off Highway 237 had potential.

“Legacy had successfully developed and leased a number of projects in the North First area/Highway 237 over the years, and I felt this location was going to create the ‘Campus of the Future,’ i.e. a signature site and a focal point for creative growth,” Thrift said in an e-mail.

Steve Dunn, who worked for Thrift, knew his boss sought challenging projects. But Dunn, who is now Legacy’s senior managing director, thought the abandoned dump stretched even Thrift’s definition of challenging.

“My first reaction was that obviously this was an immense undertaking,” Dunn said. “I had reservations because of the time commitment and the dollar commitment that would be required.”

Dunn was right on both accounts. It took 2½ years to entitle the project and another two years to clean the site, considered a brownfield, including capping it with 500,000 cubic yards of dirt. Long before even one beam of steel was hoisted, Legacy was out $20 million.

But Thrift was also right. America Center, which cost roughly $200 million to complete the two-building first phase totaling 427,600 square feet, has turned out as Thrift envisioned it — offices where people can work, open space where the public can stroll, a sanctuary for birds and burrowing owls. The completed project will include four buildings.

See AMERICA, Page 14
AMERICA: San Jose office complex achieved LEED Gold certification

Continued from page 13

“We envisioned a project with a minimum use of the land and maximum views,” Thrift said. “We dedicated over 40 acres to open space and provided 360-degree views. We have boating, fishing, biking, hiking at our doorstep. We knew it would be a challenge, but we saw in addition that ultimately this was really a win-win: for the community, for the restoration of and re-use of the land, and ultimately for Legacy as the developer.”

And Legacy just added another feather to its cap: the beautiful 428,000-square-foot project got word it had attained the sought-after Gold status for Leadership in Energy and Environmental Design from the U.S. Green Building Council.

The project had already earned basic LEED certification, but Dunn decided it was worth spending another $1 million to acquire Gold certification after talking to project architect HKS Architects.

“Because of the quality of the conversion from a brownfield, we wanted to take it all the way to Gold,” Dunn explained.

Converting brownfields, which are defined by the U.S. Environmental Protection Agency as land that the owner must rid of contaminants before developing, earns many points on the LEED scale.

Timing is everything

Vacancy was down and rates were up when Dunn gave the go-ahead in early 2008. When the project was finished in July 2009, however, it hit one of the most dismal years for commercial real estate on record.

The buildings are currently empty, but Dunn said activity is strong, and he hopes to make an announcement soon.

Once they are leased, Legacy, which was spun off from Lincoln Property Co. in 1998, will start construction on the second half of the development, an additional two buildings.

“I’m glad it’s 2010 and not 2009,” said Randy Gabrielson of Cornish & Carey Commercial, who is representing the project. “There’s a lot of large users out there in the market.”

Dunn and Gabrielson were reluctant to disclose lease rates. But Gabrielson said Legacy is prepared to “meet the market” to strike a deal. Other brokers have been quoted saying America Center is one of the few new buildings with monthly rates under $2 a square foot.

Dunn is confident the space will lease, and one way or another he knows Legacy will be proud of building the project.

“We do what we think is best for the area because this is where we live,” he said. “We are not a developer from afar here to make money. We’re here to build our community.”

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Legacy’s Alviso legacy

A little-known aspect of the America Center project is that Ed Thrift, former president of Legacy Partners, designed the project with a plan to break off a chunk of the 70-acre site and sell it to benefit the youth of Alviso.

Legacy had rebuilt Gold Street for Alviso, turning the rough road into a gateway for the community. But Thrift wanted to do more for the neighborhood on the southern tip of San Francisco Bay.

“We saw the community and we saw programs that were lacking, and we realized that we can give back,” he explained, “not just today but with an ongoing commitment to help kids forever via an annual endowment.”

So Thrift started the Legacy San Jose Alviso Youth Foundation by giving six acres of developable riverfront land to be used by the foundation to create programs for children living in San Jose, with a special emphasis on Alviso. The foundation was able to sell the raw land for more than $4 million.

“The proceeds from the sale created cash that they invested to create an annual giving program,” Dunn said.

In 2008, the foundation distributed more than $150,000 to the San Jose Public Library Foundation for the Alviso Branch Library Homework Center, Downtown College Prep for its literacy program, EHC LifeBuilders for at-risk youth, a scholarship program and bus passes for Wilson High School students.