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Q&A: Scott Smithers of Lane Partners looks beyond the pandemic

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Lane Partners is off to a bustling start in 2020. On the heels of several successes in recent years, the commercial real estate investor, developer and operator has 7.6 million square feet in the pipeline throughout the Bay Area and seven projects going through the entitlement process. Founder and Managing Principal Scott Smithers spoke with the Business Times about what's currently in the works for the firm, the key elements it looks for in a project and the biggest challenges commercial developers face today.



TODD JOHNSON | SAN FRANCISCO BUSINESS TIMES
Lane Partners' Scott Smithers always asks the same question when looking at a site: "If we were a tenant, would we like to be here?"

What does Lane Partners currently have in development?

Eastline is in Oakland — it's 1.5 million square feet. It's fully entitled and we're in the market right now looking for a tenant. The Oakland marketplace is a really special market for us. Another one is the Berkeley Commons project, which is 600,000 square feet in Berkeley. That's a life sciences project we're just starting entitlements on. In South San Francisco we have the Southline project, which is seven buildings. Our partner is Goldman Sachs. That will most likely be a life science campus, although it could be office. We are well into our entitlement process with the city of South San Francisco. We really expect to receive full entitlements on that in about a year or so.

Lane Partners develops a wide variety of projects. What do you look for in sites and what do you think will be a viable project?

We always ask ourselves if we were a tenant, would we like to be here? That's really the first thing we ask ourselves when we're looking for a site. Another thing that's really important to us is the area has to have energy in it right now, or at least feel like we can bring energy to that location. Other things like walkability to transportation and amenities are of course important, but we really look for the energy the site creates because we want to become a part of the fabric of the neighborhood wherever we're developing.

What are the biggest challenges right now for development? Are there any particular challenges for commercial development?

Our biggest challenge right now continues to be to find the right site for the project. Another challenge for us is a lot of city zonings have commercial developments create community benefits, and it's trying for us to understand what exactly goes in the community benefits and how we underwrite them. An accurate projection of future costs remains challenging. But in most of the jurisdictions and cities, they really want residential, so the commercial side of the project, if you're doing just commercial, has to be super compelling for the communities. And really that's the key to getting something approved. To make it compelling so that it's a real benefit to the city, whether it's affordable housing community benefits and things like that.

Lane is advancing plans for Southline in South San Francisco. Where do you see the future headed for transit-oriented developments?

The rail-mass transit hub at Southline is really a perfect example of what we're looking for in a transit-oriented development. Southline is about 200 yards from the San Bruno BART station and a little over half a mile from Caltrain. Nobody wants to sit on a bus two to three hours a day riding up and down 101 or 280, so we feel that the 2.5 million square feet of Southline, with that proximity to both Caltrain and BART, is something that's going to be very appealing for a lot of tenants and both potentially life science and/or office.

Lane is also proposing to develop a project near West Berkeley's Aquatic Park. Do you see R&D a big part of the Bay Area's future development, especially with the

sector attracting so much attention during the pandemic?

The project's name is Berkeley Commons. It's two buildings totaling a little over half a million square feet and we're just on the front end of the entitlement process. We really love this site. It's right in front of Aquatic Park in Berkeley just south of the University turnoff. We think life science is a perfect use for this location, really with the global reputation that the University of California at Berkeley has created. We think that life science will continue to grow in the Bay Area for a number of reasons but also because that's where all the talent lives.

Lane has been among the most active developers in Oakland's renaissance over the last decade. Where do you see Oakland's development headed?

We'll continue to expand and develop primarily in the Uptown area of Oakland. But that said, I think the new A's stadium going at the other end of Broadway will be an amazing addition to the waterfront area. Overall there's really such a great spirit and attitude to all of Oakland and that's something that's really made it fun to be a part of over the years. We really don't see anything to slow that down right now.

Without Kaiser, what are Lane's plans for the Eastline site in Oakland?

We're really just going to continue to market what we consider this amazing site to other tenants in the market, where the value and benefits of Oakland continue to improve constantly. Obviously there is a pause right now, but the reasons that made it very attractive in the first place still remain there.

How has the pandemic changed your plans for future development?

The tenant demand has clearly hit the pause button for now. We really view this as a challenge for the whole world and certainly our country, which as Americans, we will, I think most certainly overcome the pandemic. I do believe a vaccine and/or treatment will happen in the near future. This is something we have the benefit of all the life science companies and big pharma companies in our country working on, so we view it as more of a short-term issue and things will get back to normal

LANE PARTNERS

HQ: Menlo Park

Founded: 2006

Employees: Five

Under development: 7.6 million square feet in the Bay Area

NOTABLE PROJECTS

Uptown Station, Oakland:

In 2014, Lane Partners acquired the former Sears Building at 21st and Telegraph for \$24M. Just before it started construction on the repositioning of the building, the company turned and sold it to Uber for \$123.5M.

Eastline, Oakland:

Lane Partners is seeking a tenant for the 1.5M-sq.-ft., fully entitled project after Kaiser Permanente pulled out of its planned \$900M HQ at the site.

HQ@First, San Jose:

Lane Partners bought the former Brocade Communications Systems campus in 2017. Two years later, it nearly doubled its \$225.5M purchase by selling the property for \$429M to Mori Trust, a Japanese investment and development company.

Berkeley Commons, Berkeley:

Lane Partners is developing 600K sq. ft. of life sciences space.

2075 Broadway, Redwood City:

Mark Zuckerberg and Priscilla Chan's philanthropic organization the Chan Zuckerberg Initiative leased Lane Partners' 2075 Broadway project before it even started construction in one of the Peninsula's biggest office leases of 2016.

POSSIBLE DEAL

123 Mission St., San Francisco: *E-cigarette maker Juul is reportedly in talks with Newport Beach-based PIMCO in partnership with Lane Partners. The building's*

square footage has been reported at both 346K and 388K sq. ft. Juul acquired the building in June 2019 for \$397M.

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