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Sares Regis' Foster City plans weather downturn

San Francisco Business Times - by [J.K. Dineen](#)

Sares Regis Group of Northern California is gearing up to start construction on 300 apartments at Pilgrim/Triton property in Foster City, a \$100 million investment that represents phase one in a redevelopment that will eventually transform 10 acres on the mid-Peninsula.

On Aug. 20, the **Foster City Planning Commission** approved the design of the 300 apartments, 17,000 square feet of commercial space and the majority of a 1.2-acre park that will be the centerpiece of the new neighborhood on 6.2 acres at the intersection of Triton and Pilgrim drives and State Route 92. The existing buildings on the property, 92,000 square feet of industrial warehouse space, would be razed.

While the recession and credit crunch have delayed housing projects across the Bay Area, a unique combination of land held at a low cost basis, declining construction costs and available capital is creating an unusual opportunity for fee developer Sares Regis and property owner **Northwestern Mutual Life**. Jeffrey Birdwell, president of Sares Regis' commercial division, said they would start building next spring or summer, assuming the rental market does not deteriorate between now and then.

“There is nothing in the pipeline that is real other than health care related stuff, so I don't see anybody else stepping up with a competitive product,” said Birdwell. “Most people can't finance in this climate. Northwestern is in a uniquely strong position to be able to provide both their own debt and equity to make this happen.”

The Pilgrim/Triton project is a joint effort by three property owners: Northwestern Mutual Life, **AMB Property Corp.** and **Foster City Executive Park Partners**, a group of investors led by Soroush Kaboli. In addition to phase one, which will be built on Northwestern Mutual Life property, the overall project includes another 24 housing units, 183,000 square feet of office space and 30,000 square feet of retail. Northwestern bought the property 23 years ago when land on the Peninsula was cheap. While residential rents have dropped an estimated 10 to 15 percent since the recession started 18 months ago, construction costs have dropped about the same amount, leaving the project “net neutral,” said Zack Wilson, project manager.

For Sares Regis the last few years have brought a bevy of Foster City development deals (see box at right).

Wilson credited the Foster City economic development team and city council for building community support by taking care of the most thorny development issues — usually related to traffic — well ahead of approvals.

“Foster City is unique in that they really get that if they don't grow and add to their tax base their finances are going to wither and die,” said Birdwell.

Other Sares Regis projects in Foster City

Mirabella San Francisco Bay & Parkview Plaza

Owner/operator: [Pacific Retirement Services](#).

Fee development manager: Sares Regis.

Description: The 15-acre community will include 492 senior housing units ranging from independent living to assisted living to skilled nursing units. The project creates a new village square for Foster City with 31,000 square feet of retail and restaurants, a 1.3-acre plaza and a pedestrian “art stroll.” It will also have 70 units of affordable housing.

Status: Approvals pending.

Quote: “If your husband slips and falls and breaks his hip, he doesn’t have to go to a hospital in San Francisco, he goes downstairs and spends a couple of days in the skilled nursing facility and comes back home. It’s the last move you have to make.” — Project Manager Zack Wilson.

Chess Drive Project

Owner/operator: Northwestern Mutual Life.

Fee development manager: Sares Regis.

Description: The project will include 700,000 square feet of office space split up into three buildings of 240,000 square feet, 150,000 square feet and 320,000 square feet each.

Status: Undergoing environmental review. Approvals pending.

Quote: “We will elephant hunt for a while for a 600,000-(square-foot) corporate-headquarters-type tenant.” — Sares Regis Commercial President Jeffrey Birdwell.

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