

ULI

ARDENWOOD



**ARDENWOOD TECHNOLOGY PARK
FREMONT, CALIFORNIA**

**An Evaluation of Land Use and
Development Strategies for Bedford
Properties, Inc.**

January 17–22, 1988
A Panel Advisory Service Report

ULI—the Urban Land Institute
1090 Vermont Avenue, N.W.
Washington, D. C. 20005

ABOUT ULI— THE URBAN LAND INSTITUTE

ULI—the Urban Land Institute is an independent research organization that conducts research; interprets current land use trends in relation to the changing economic, social, and civic needs of our society; and disseminates pertinent information leading to the best and most efficient use and development of land.

Established in 1936 as a nonprofit institution supported by the contributions of its members, ULI has earned recognition as one of America's most highly respected and widely quoted sources of information on urban planning, growth, and development.

Members of the Washington, D.C.-based Institute include land developers, builders, architects, city planners, investors, planning and renewal agencies, financial institutions, and others interested in land use.

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- National Policy Council
- Development Regulations Council
- Development Infrastructure and Services Council

This Panel Advisory Service report is one of a series of research publications intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the urban land use field.

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The panel is grateful to Amber L. Howell and Seth Nodelman for their work in preparing for the assignment. They helped develop the excellent advance briefing materials and worked tirelessly to ensure that this panel's on-site efforts would be successful.

The panel also expresses its appreciation to the more than 80 community and business leaders who cooperated in meeting with panel members during the on-site deliberations. Their participation enabled the panel to base its recommendations on accurate and timely information. The broad range of views they presented also helped crystallize the critical issues and provided the balanced perspective needed to propose appropriate solutions.

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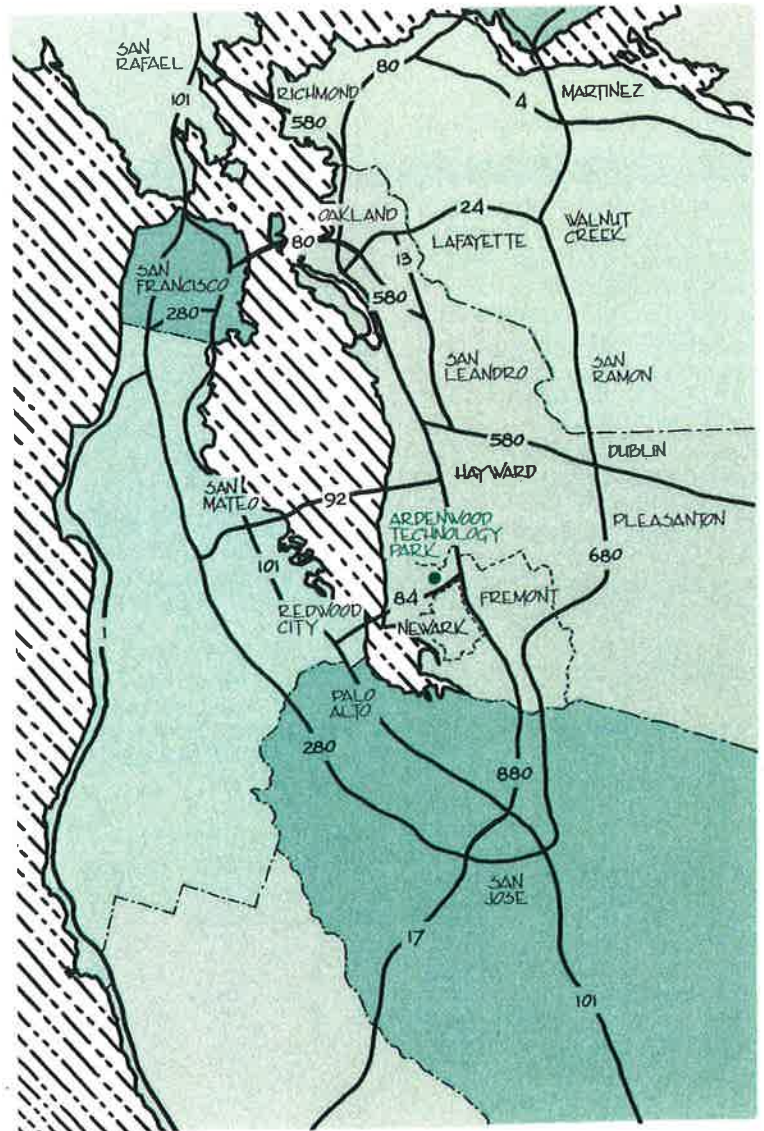
FOREWORD: THE PANEL'S ASSIGNMENT

Kemper/Bedford, a joint venture between Peter B. Bedford and a group of Kemper insurance companies, acquired Kaiser Development Company (KDC) in December 1986. A portion of Ardenwood Technology Park (127.91 acres) was part of that acquisition.

In November 1987, KDC took title to the 56.9-acre Sutter Hill site which is contiguous to the larger site. As a result, Kemper/Bedford's current holdings in Ardenwood total 185 acres, of which 171 acres are industrial and 14 acres are commercial.

Ardenwood Technology Park is part of Ardenwood Forest New Town, an 800-acre master-planned development. It is located on the east side of San Francisco Bay in the manufacturing city of Fremont, California. Fremont is halfway between San Jose and Oakland. Ardenwood is the first developable site one sees on eastbound State Route 84 from Palo Alto via the Dumbarton Bridge and represents the gateway to the East Bay.

The site enjoys excellent access to the San Francisco Bay Area and the Silicon Valley and is bounded by the Dumbarton Freeway (State Route 84), an east-west connector between Interstate 880 and U.S. 101. Interstate 880, which serves Oakland and San Jose, is less than one mile east of the site. U.S. 101 serves as the north-south corridor for the West Bay area.



At the request of Bedford Properties, an eight-member panel from ULI—the Urban Land Institute conducted an intensive five-day analysis of Ardenwood Technology Park's development potential. Peter Bedford charged the panel with identifying the site's optimum economic use. In response, the panel evaluated the site's development potential, devised a land use plan, recommended development and marketing strategies, and identified implementation strategies needed to secure plan approval.

This report represents the official documentation of the panel's findings and recommendations and is organized into four sections:

- The development potential section presents an historic analysis of regional demographic and economic trends in the Bay Area, Silicon Valley, and Fremont. The section also investigates the market potential for industrial, office, retail, hotel, and residential land uses. The panel recommends two approaches to development and outlines a development concept. In view of the area's competitive environment, the concept describes the products, timing, absorption, site sizes, and land uses that will likely prove successful. The panel builds a case for including certain support facilities and physical amenities.



Sign announcing the entrance to Ardenwood.

- The planning and design section of the report provides a site and design element plan based on the recommended development alternative. The design section addresses the design concept, including the surrounding area, site layout, site improvements, amenities, and development agreements. Covenants, conditions, and restrictions and the character and quality of the design are also discussed.
- The development and marketing strategies section examines specific strengths and weaknesses of the site in terms of product identity and market needs. It discusses development and marketing goals, target markets, and a marketing plan.
- The final section is concerned with implementation strategies. Specifically, it focuses on the development program, public relations with government officials, market communications, and initial site development activity. The section also discusses possible off-site implementation issues.

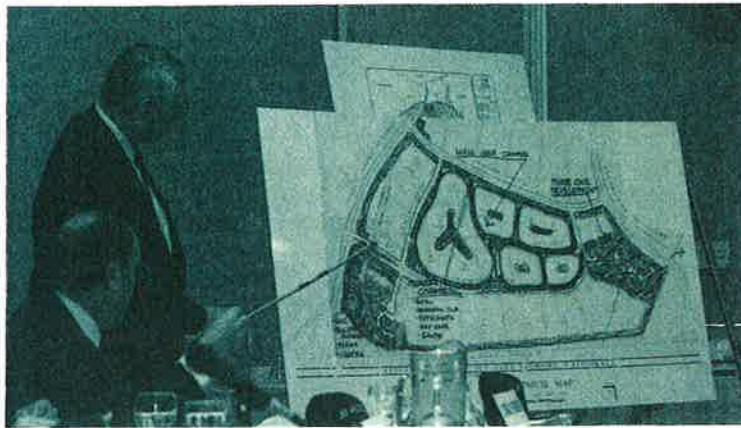


Panel Chairman Jim Todd (left) discusses the panel's findings with Peter Bedford.

SUMMARY OF RECOMMENDATIONS

The panel interviewed over 80 community members knowledgeable of the political and economic environment. A basic theme emerged early in the study. Even though immediate market forces call for residential development on the Ardenwood property, the political environment will not permit it. Accordingly, the panel's recommendations stem from an assessment of the development potential constrained by the political climate.

Panelist Ron Hoisington (standing) points out site planning and design considerations during the briefing session for Bedford Properties personnel.



POLITICAL ENVIRONMENT

For at least the next two years, the Fremont City Council plans to focus on "balanced" growth which, from the developer's point of view, translates into a no-growth policy. Recently, for example, the council denied a simple request to approve 26 residential dwelling units. The city of Fremont accepts new business development though not enthusiastically, a posture the city council supports by a three-to-two majority. The city has little interest in recruiting a full-time economic development officer to promote growth. Developers who build in Fremont must pay development exactions.

A new hurdle in the approval process is an architectural review process intended to veto aesthetically unacceptable projects. The panel found that any opportunity to reopen the Ardenwood development agreement is considered an opportunity to increase developer exactions.

OVERALL MARKET ENVIRONMENT

The residential market in the general Fremont area is strong and offers the highest land value opportunity on a buildable square foot basis. By contrast, the two-year inventory of research and development buildings could significantly affect absorption rates. The hotel market is weak, with many hotels operating at 50 percent occupancy. The market for traditional administrative office space and retail is limited. The broker community forecasts strong demand for distribution facilities.

MARKET FOR ARDENWOOD SITE

The Ardenwood site is well suited for a mix of uses that includes research and development/office, service rather than destination retail, medium-density residential, and hotel development. The panel believes the site will appeal to the West Bay research and development office market because of the following characteristics: a reverse commuting pattern from the West Bay, land availability, affordable housing, and potentially lower facility costs. To overcome weaknesses identified by the panel and to capture the West



Panelists Fred Kober (left) and Roy Potter return from aerial tour.

Bay market, the park requires name identification; a product mix slightly more upscale than Fremont's product mix; a full amenity package of daycare, recreation, and support retail facilities; improved landscape entrance features; a graphics program; brochures on the Bedford Company and Ardenwood; and an aggressive broker-oriented marketing program to sign a high technology anchor.

DEVELOPMENT STRATEGIES

The panel offers two alternative development strategies for consideration by Bedford Properties. The first alternative is a bulk sale strategy that calls for the company to sell the site within the next year. The second is a hold and develop strategy.

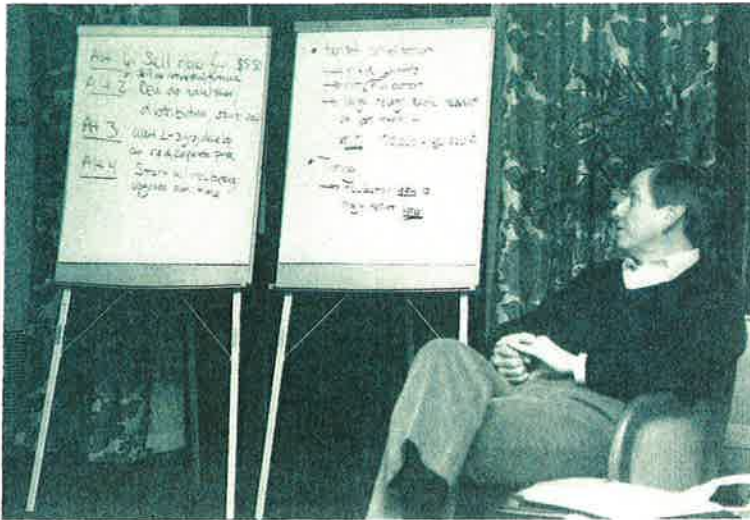
Bedford should select the first option only if it can better invest sales revenues in another

property. If not, the panel recommends that Bedford follow the second alternative and plan, market, and develop the property as a research and development/office park. The target market would be existing West Bay users. The panel recommends development of a phased, full amenity package, including daycare centers, recreational facilities, and support retail establishments.

Assuming the second option, a development/marketing program should address land sales to users, build-to-suit buildings, speculative construction, and an executive developer program that permits selected developers with users to develop projects on the property. Bedford Properties should expect strong results from this program only after the existing two-year inventory of research and development space in Fremont is substantially reduced.

The basic philosophy underlying the second development alternative is to position Ardenwood as the premier research and development/office park capable of accommodating any size research and development/office user in any form of deal.

Panel Chairman Jim Todd outlines alternative development strategies.



FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Panelist Robert Gardner



DEVELOPMENT POTENTIAL

REGIONAL TRENDS

Development success at Ardenwood is generally linked to the economic expansion of the Bay Area, but most importantly to high technology manufacturing in the Silicon Valley. Accordingly, an overview of Bay Area economic trends and the Silicon Valley industrial sector helps portray the current and near-term economic development environment of Ardenwood.

Panelist Roger Zanarini

BAY AREA

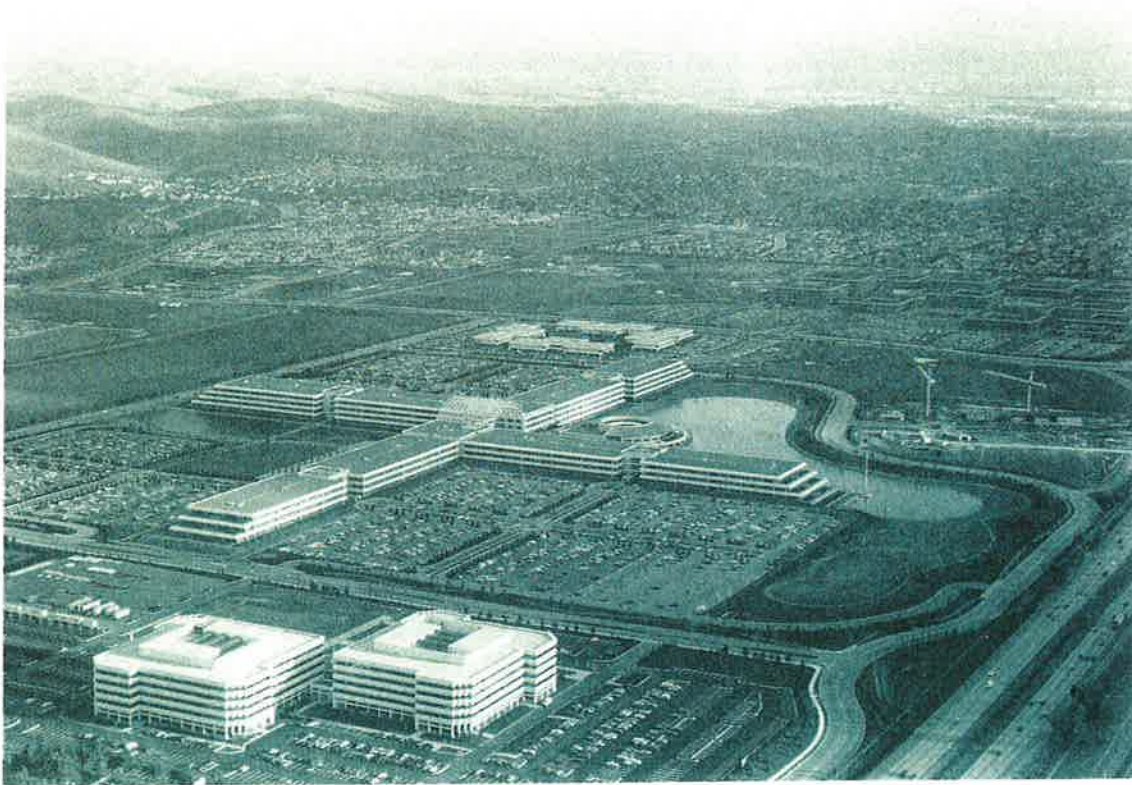
The Bay Area will likely remain a growing and vigorous metropolitan area. The Association of Bay Area Governments (ABAG) projects that the region's 1985 population of 5.5 million will climb to 6.7 million by the year 2005. On an annual basis, the area will experience an average growth of 57,000 new residents. ABAG expects job growth over the next 20 years to match population expansion. In fact, by the year 2005, ABAG forecasts that total job demand will exceed the available labor supply.

In terms of job expansion, the leading employment sector will be the service sector, following the current trend throughout the United States. Manufacturing, which has declined nationally in recent years, should not only increase in the Bay Area in absolute terms but also maintain its current share of total employment. Of the 1.1 million new jobs, the manufacturing sector will claim .2 million or roughly one-fifth of all jobs created. Of special significance is the growing dominance of the dynamic high technology sector (including manufacturing in such areas as aerospace, computers, electronics, scientific instruments, communication equipment, and office machinery) within the Bay Area manufacturing sector.

The importance of high technology manufacturing is reflected in the fact that the Silicon Valley accounted for the creation of virtually all manufacturing jobs in the Bay Area between 1980 and 1985. Between 1985 and 2005, the same trend will continue. During this 20-year period, high technology industries will add 170,700 new jobs or approximately 8,500 new jobs per year. Nearly one in six new jobs in the Bay Area will be created in Silicon Valley-related industries.

In ABAG's recent 20-year forecast report, *Projections '87*, the agency stated that the Bay Area's economy is tied to the economic health of the Santa Clara County economy. It is clear that high technology is the driving force behind Santa Clara County's economic growth and, for that matter, the Bay Area's economic expansion as well.





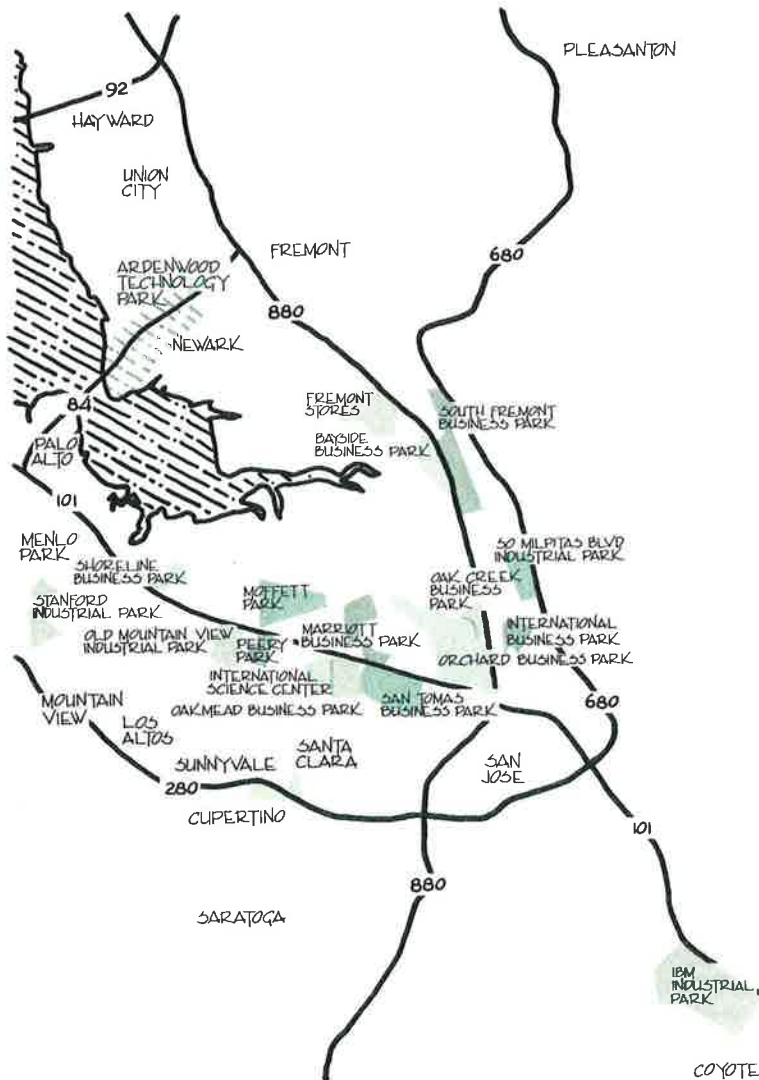
Bishop Ranch Business Park in San Ramon, California, is located east of the Fremont site.

SILICON VALLEY

Originating in the Palo Alto area of western Santa Clara County, the Silicon Valley now encompasses virtually the entire county and has moved northward into southern Alameda County. The industrial base (light manufacturing, warehousing, and research and development) in the Silicon Valley totaled about 97.8 million square feet as of January 1988, according to the Grubb & Ellis Company.

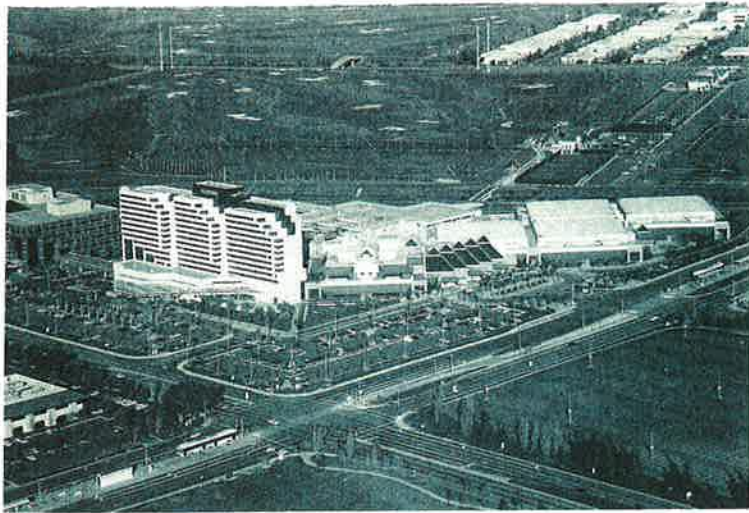
Research and development concerns occupy 70.4 million square feet or nearly three-fourths of the region's industrial space. Light manufacturing and warehouse space accounts for the balance. San Jose is the dominant research and development submarket with 17.7 million square feet of space or about one-fourth of the Silicon Valley's research and development space. Fremont has a total supply of 7.6 million square feet or nearly 11 percent of the region's research and development square footage. With regard to light manufacturing, San Jose

again is the leading submarket with 3.5 million square feet or about one-third of the area total. Fremont has 2.3 million square feet or about one-fifth of the region's total. In terms of warehouse space, San Jose leads all submarkets with 5.8 million square feet or two-fifths of the area supply, while Fremont has a supply of 1.9 million square feet or one-eighth of the regional supply.



The Silicon Valley's recently volatile absorption rates dramatize the dynamic nature of the research and development industry. Whereas the Silicon Valley previously experienced consistent gains in employment, new construction, and geographic expansion throughout Santa Clara County and into southern Alameda County, growth has now slowed significantly. With the downturn in the electronics industry nationally, Silicon Valley employment declined from peak levels in 1984, and ABAG does not see employment levels in the electronics industry reaching pre-recession 1984 levels until 1990. According to ABAG, the major reason behind the decline was the "unrealistic expectation that the worldwide demand for high tech products would continue to increase at its previous, unprecedentedly high rate."

Vacancy levels for all industrial space in the Silicon Valley stand today at 25 percent, down from vacancy levels of 45 percent in 1985 and 1986. Vacancy in research and development properties is about 20 percent. For reasons relating to age and quality of construction, local commercial brokers believe that as much as one-fifth of the vacant research and development space is no longer competitive, reducing the "real" vacancy rate to 17 percent.



A South Bay office park in the San Jose submarket.

Net absorption for all industrial space in 1987 was 6.7 million square feet, with research and development space accounting for nearly all the absorption. The light manufacturing sector absorbed only a minimal amount of space while warehousing operations, on the other hand, placed more space on the market than was absorbed. At current net absorption levels, the research and development space available at the end of 1987 will require about two years for absorption.

Due to excess space, land prices throughout the Silicon Valley have dropped by as much as 66 percent in certain locations. Landlord concessions, such as free rent (12 to 24 months on a five-year lease) and overstandard tenant improvements, reflect fierce competition among developers. As a consequence, average triple net rents were lower in June 1987 than in 1984, excluding the effects of inflation.

With little new space coming on to the market in 1987, rent levels and land values will likely rise once again as the market moves toward equilibrium.

FREMONT

With its vast supply of vacant industrial land, Fremont is emerging as a major research and development center in the Silicon Valley. Although Fremont currently represents over one-tenth of the Silicon Valley's total research and development space, it accounted for one-seventh of the net research and development absorption in 1987.

A tour of the Silicon Valley reveals that Fremont is one of the last locations to accommodate the expansion of the high technology industry. However, the city's industrial land supply is and will be experiencing increasing growth pressures as a result of the internal expansion of firms currently located along the U.S. 101 corridor, proximity to a growing labor supply attracted to the Fremont area by the availability of affordable housing, and reasonably priced rental space.



Some of the most prestigious areas of the country are on the other side of the Dumbarton Bridge in the Menlo Park and Palo Alto communities near Stanford University.

Existing East Bay office park in the Fremont area near Bedford site.



The Silicon Valley market views Fremont as one of the less prestigious locations in the region. A review of average triple net rents, for example, shows that Fremont rents are 40 percent to 50 percent of rents in the Palo Alto/Mountain View area. While western Santa Clara County will always be perceived as the more prestigious address due to its proximity to Stanford University and upper-end executive housing, rent differentials will grow less pronounced as market supply and demand move toward equilibrium. Further, a review of Coldwell Banker statistics reveals that rents in the two areas are more closely aligned than before the recent downturn.

As a whole, Fremont, like the Silicon Valley, has about a two-year supply of research and development space. Nonetheless, research and development space accounted for all recent industrial space absorption in the city.

Because Fremont now occupies a strategic urban position in the Silicon Valley, it is undergoing extensive changes in terms of population and development. Population growth is attributable to the availability of residential lands conveniently located near Silicon Valley employment nodes. Between 1980 and 1985, the city's population expanded by 16,500 new residents, reaching a total of 148,500. Over the next 20 years, the city expects its population to expand by nearly 50,000. Building valuation reflecting residential, industrial, and commercial construction has been explosive. Discussions with city officials indicate that Fremont ranked as the 119th largest city in the country in population, but an impressive 29th with respect to total new building valuation.

Fremont is currently experiencing an imbalance between local jobs and housing; the city labor supply exceeds the number of available local jobs. As a consequence, the city is interested in attracting jobs and shedding its image as a bedroom community. Industrial development as proposed at Ardenwood will help balance the population-employment equation.

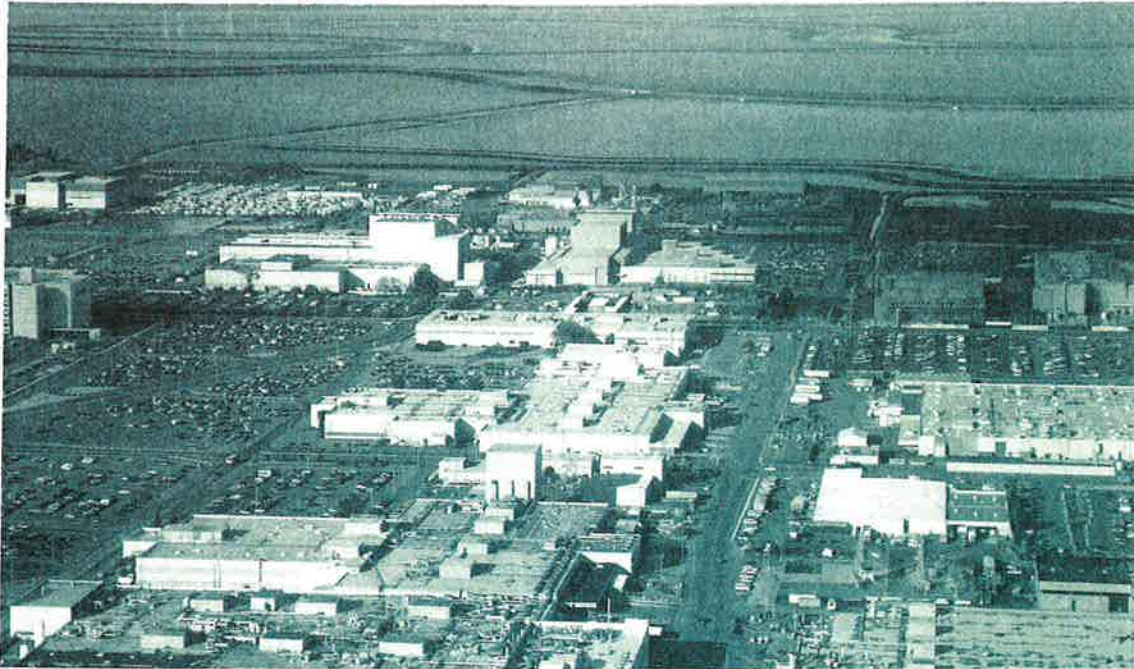
MARKET POTENTIAL OF SITE

The panel considered the market potential for several land uses at the Ardenwood site, including industrial and speculative office development, retail uses such as restaurant and hotel development, and residential development.

INDUSTRIAL

The site enjoys several locational advantages particularly favorable for industrial land uses. These factors include direct access via the four-lane Dumbarton Bridge to Silicon Valley employment nodes in Palo Alto/Mountain View/Sunnyvale; proximity to Interstate 880, a major north-south freeway in the East Bay; excellent visibility from contiguous State Highway 84 providing the potential for freeway name recognition; and an excellent physical setting offering views of the surrounding hills. For senior management contemplating the relocation of high technology firms from western Santa Clara County, Ardenwood offers an important benefit. Executives would enjoy a reverse commute and the labor force, much of which resides in southern Alameda County's affordable housing, would enjoy a shortened commuting time.

Any negative considerations relate to Fremont's image as a blue collar, highly unionized community. From senior management's perspective, Fremont's quality of life does not compare favorably with western Santa Clara County. While Fremont may not be as desirable as Palo Alto and surrounding cities, the city is changing. The entrance of nonunionized high technology firms is now a reality, and many newer residents are engaged in higher-income, highly skilled jobs.



South Fremont industrial buildings.

Ardenwood Technology Park faces immediate competition from two nearby parks owned by Metropolitan Life (52.3 acres remaining) and Cabot, Cabot & Forbes (21.6 acres remaining). Located north of the Bedford property, both parks enjoy proximity to the freeway but not visibility from the freeway. Firms already located in the parks occupy between 11,300 and 117,000 square feet. Recent lease negotiations have been tight due to the overbuilt market in general and the need to minimize the costs associated with vacant inventory. Consequently, lease rates at the two parks are now \$0.60 per square foot, triple net; tenant improvements in excess of \$20 per square foot are common in this market.

With frontage along State Highway 84, the Bridgeway Technology Park (43 acres) is also located near the Bedford property. The project suffers from access difficulties and image problems associated with what can best be described as a nondescript self-storage facility. Bridgeway's poor image can create difficulties for Ardenwood which, in turn, must market itself as an attractive location and stimulate business expansion from western Santa Clara County. Several business/technology parks located in the southern section of Fremont along Interstate 880 mean competition within the city. Some of these parks, particularly Bayside Business Park (250 acres developed by King & Lyons) and Bayside Technology Park (80 acres developed by Renco), provide a high quality environment (landscaped streets, water features, freeway frontage). In terms of on-site improvements, these parks

compare favorably with Ardenwood. Rents in these areas are slightly lower (\$0.50 per square foot per month) than Ardenwood rents.

In recent years, industrial space absorption in Fremont has ranged from 1 million to 1.3 million square feet. At a .3 FAR, equivalent industrial land absorption has fluctuated between 75 and 100 acres annually. Market demand for industrial/research and development space in Fremont should increase in the near term (the next 10 years) as the Silicon Valley as a whole grows and firms require new locations to accommodate general expansion and consolidation. Another factor in Ardenwood's favor is the availability of improved land in Fremont, both in Ardenwood and in the southern portion of the city.

Based on these findings, the panel believes that industrial land absorption should exceed present levels by as much as 25 percent, reaching near-term absorption on a citywide basis of 100 to 125 acres.

During the build-out years, Bedford Properties should expect to achieve an annual average absorption of 18 to 23 acres. This absorption estimate reflects both the locational attributes of the Ardenwood area relative to the city's industrial land inventory and the specific advantages of Bedford's site, particularly its freeway frontage, over the Cabot, Cabot & Forbes and Metropolitan Life sites. To achieve these absorption levels today, Bedford Properties should expect fierce negotiations and effective rents of \$0.65 per square foot.

OFFICE

Fremont is in the early stages of creating a speculative office market primarily in the downtown area. Unfortunately, the cost advantages of a Fremont location have been nullified by overbuilding in surrounding office markets. Vacancy levels of about 40 percent in Fremont are higher than all other key submarkets in the Silicon Valley. While Fremont accounts for about 5 percent of the total supply of office space within the Silicon Valley, it registers a disproportionate share of the vacant space at 9 percent.

The panel advises against speculative office uses at Ardenwood not only because of the current market situation, but because of other locational considerations. Especially in the early years of buildout, Ardenwood cannot compensate for its isolation from office space-generating activities (financial centers, medical complexes, and government offices).

RETAIL

Ardenwood should not be considered a primary location for region-serving retail activities. The site is less strategically located within the region than the New Park Mall in Newark. A regional shopping center at Ardenwood would need to draw western Santa Clara County residents who continue to perceive Fremont as a blue collar city. Population growth, although increasing, may not rise rapidly enough to attract a shopping center developer to compete with New Park Mall.

The panel further recommends against local resident-serving retail. The planned 14-acre center at Paseo Padre Parkway and Ardenwood Boulevard should be adequate to serve the convenience shopping needs of the local Ardenwood population.

Typical housing within walking distance of Bedford site.





Retail uses for Ardenwood Technology Park should be oriented toward the on-site employment base and include various types of food and beverage establishments, e.g., fast food restaurants, coffee shops, and full-service dinner restaurants. A market for support services—printing, travel, and banking—should materialize given the number of firms and workers projected for Ardenwood. Since these uses are “followers,” retailers should not set up shop until considerable research and development activity occurs on site.

HOTEL

Hotel development at Ardenwood is a logical use but one that will remain totally dependent on Ardenwood firms for overnight guests. The hotel’s dependency on Ardenwood would not be an issue if the property were located in an already developed business area or a prominent regional location.

The hotel should be economically feasible given the scale of research and development undertaken by Bedford Properties, Metropolitan Life, and Cabot, Cabot & Forbes. The panel recommends a full-service, 200- to 250-room hotel that includes meeting and banquet facilities and a restaurant attractive to Ardenwood employees. The hotel should be scheduled to open during the middle to late stages of development.

RESIDENTIAL

Historically, Fremont has been viewed as a bedroom community providing affordable housing for workers commuting to the existing, “closer in” employment areas. Although the expansion of Silicon Valley businesses into the Fremont area is beginning to influence the city’s image, the demand for housing is still stronger than the commercial/industrial market. A recent city-sponsored study, “Jobs/Housing Balance and Industrial Lands Conversion Study,” states that housing in Fremont, by Bay Area standards, is moderately priced and relatively convenient to major Silicon Valley employment nodes.

In the near term, the panel believes that the demand for residential housing and, thus, developable sites will remain exceptionally strong. Although the city is concerned by the imbalance between jobs and housing, its strategic location can transform Fremont into one of the major residential communities for Silicon Valley workers seeking affordable homeownership easily accessible to employment centers.

Ardenwood Technology Park is ideally suited to attract residential development. The physical setting and the proximity to western Santa Clara County via the Dumbarton Bridge are major factors that can contribute to successful residential development in Fremont. Discussions with residential developers indicate that the property, if properly zoned, could be sold today in a bulk sale for \$8 to \$10 per square foot.

Residential units in Ardenwood Forest are reasonably priced by Bay Area standards. Many West Bay professional and technical personnel live here.

DEVELOPMENT CONCEPT

ALTERNATIVE ONE: BULK SALE STRATEGY

The panel considered two alternative development approaches for the subject property. The first alternative calls for a bulk sale during 1988. The panel advises a bulk sale only if the funds would be better invested in another development property owned by Bedford. Based on its research to date, however, the panel does not believe the best strategy is a bulk sale.

ALTERNATIVE TWO: RETAIN/DEVELOP STRATEGY

The other alternative addressed by the panel is a retention/development program that requires a possible 24- to 36-month horizon for startup activity. The development strategy is structured around an aggressive marketing program designed to position Ardenwood as a high quality research and development office park.

Since the panel believes that Palo Alto is the center of the entire Bay Area research and development market, it recommends the development of Ardenwood into a high quality campus-like park that connotes images of Palo Alto. Given that the competing properties in South Fremont look exactly like Ardenwood and charge nearly equivalent rents, it is critical to Ardenwood's success that potential users perceive the project's quality as superior to any other project in the area. Ardenwood should normally command as much as \$0.10 per square foot more than South Fremont for research and development space.

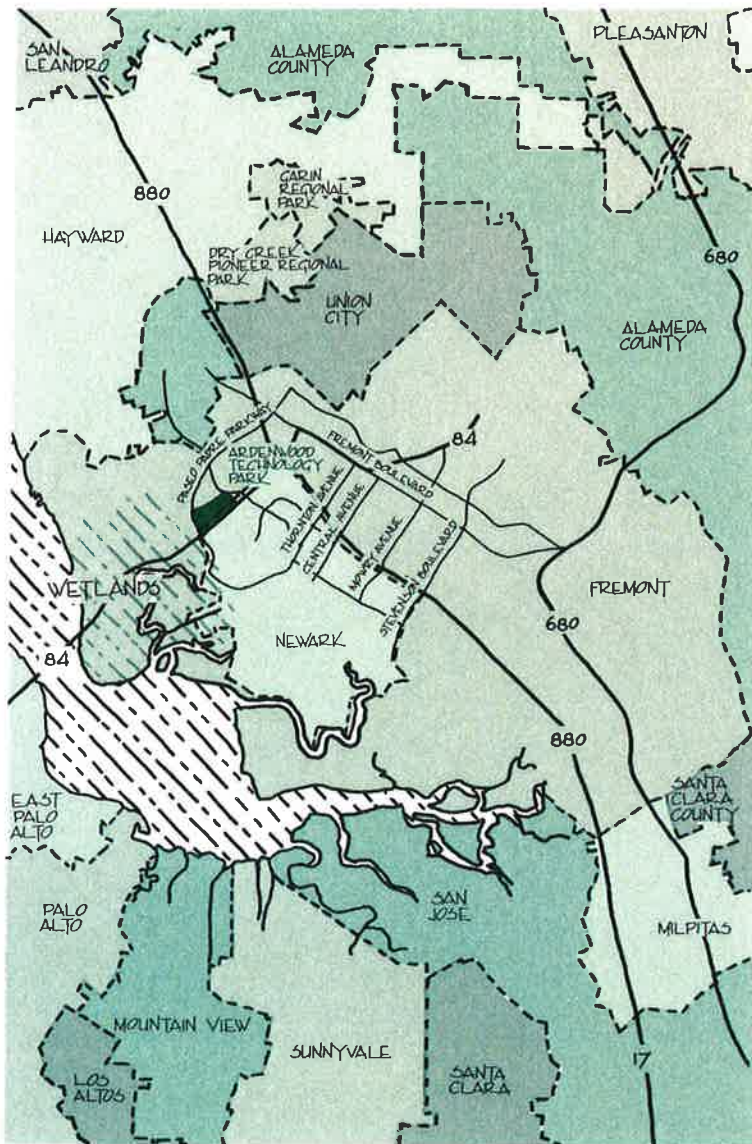
Bedford Properties must maintain flexibility within the park to accommodate a wide range of users. Although Bedford should recruit users from various sectors of the research and development community, the primary target market for Ardenwood is West Bay firms. The property enjoys an excellent location on the east end of the Dumbarton Bridge and therefore acts as a gateway to the East Bay.

Bedford Properties should remain alert to several opportunities, such as identifying a research and development or back office anchor tenant; acting as executive developer when a developer in control of a research and development firm or an office user registers interest; selling land to research and development and office users; building to suit; and attracting the multitenant market. Only the multitenant market requires speculative development in the near term. The panel suggests that Bedford launch a 45,000-square-foot project to accommodate users requiring as little as 2,500 square feet, with parking ratios of four to one.

The panel concludes that no significant absorption should be expected in the next 24 to 36 months. The time will be used to position the property, enhance the local image of Bedford Properties, search for tenants in the above markets, continue site development, and initiate speculative construction. Research and development rents are probably less than \$0.60 per square foot in Fremont today, but could reach \$0.70 in 1989, whereas land values for improved research and development land could fall in the \$8 to \$10 range.

The panel suggests the development of several support activities in Ardenwood, including restaurants, daycare centers, a health/fitness facility, hotel, and retail establishments. These uses should be clustered and may not be developed until well into the development program.

Finally, the panel evaluated and decided against the possibility of purchasing the undeveloped Ardenwood properties owned by Cabot, Cabot & Forbes and Metropolitan Life. The panel believes that future development by the two landowners will likely have a positive impact on the entire project. Furthermore, there is no need to create additional debt for Bedford Properties.



The site is bounded by Paseo Padre Parkway to the north and west and by Ardenwood Boulevard to the east, with over a mile of frontage along State Highway 84 (Dumbarton Freeway) on the south. Full access interchanges from State Highway 84 serve the site on the east at Ardenwood Boulevard and on the west at Paseo Padre Parkway. State Highway 84 connects with Interstate 880 less than a mile east of the site and with U.S. 101 in the West Bay via the Dumbarton Freeway. The site enjoys superior access compared with most sites in the Fremont/Newark area.

Ardenwood Technology Park is conveniently located to all major Bay Area airports and several private airports. The Oakland and San Jose airports are 20 miles north and 15 miles south, respectively, while San Francisco International Airport is located 30 miles northwest of the site.

FINANCIAL ANALYSIS

Discussion with the city indicates that Fremont enjoys exceptional financial health. The city has a \$56 million operating budget, of which \$5 million is allocated to capital improvements. The city has cash reserves totaling \$110 million, of which two-thirds will eventually be allocated to capital improvements.

On a per capita basis, industrial development is likely to generate a greater municipal surplus than residential growth. The city's report on jobs and housing states that residential development is often a "net drain upon city resources over the long run" unless it consists of high priced homes.

PLANNING AND DESIGN

PLANNING ENVIRONMENT

LOCATION

Ardenwood Technology Park consists of 185.41 net acres, of which 14 acres are zoned for secondary commercial and 171 acres for industrial (research and development) use. The project is located in Fremont, California, in Alameda County, approximately halfway between Oakland and San Jose on the east side of San Francisco Bay.

*Gateway to the East Bay,
Dumbarton Bridge toll booth
provides the demarkation for
the East Bay. The Bedford
site is the first buildable site
one sees on the far left.*



*View of the site from the in-
tersection of Paseo Padre
Parkway and State Route
84. The Metropolitan Life
Building is in background.*

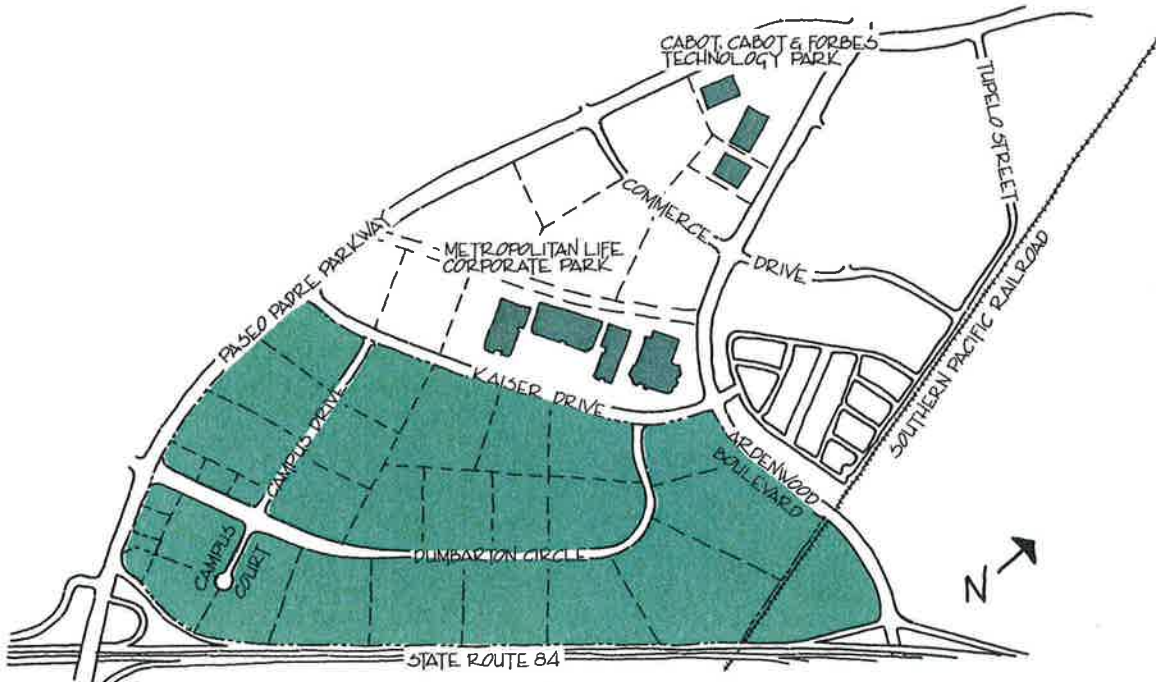


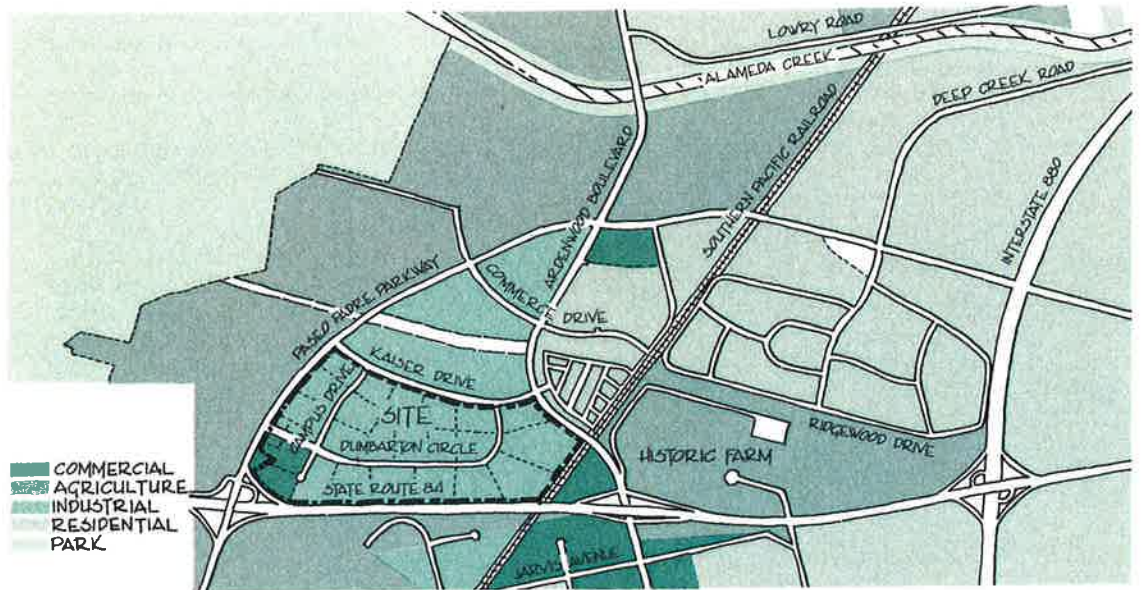
THE BEDFORD SITE

While primary access to the site is from Ardenwood Boulevard on the east and from Paseo Padre Parkway on the west, the property's "front door" is located along the west access at Paseo Padre Parkway at State Highway 84. In the future, the configuration of this interchange should be upgraded to improve traffic circulation. Adjacent to and north of the site are two other developing industrial areas owned by Metropolitan Life and Cabot, Cabot & Forbes. The buildings in those developments are of average or above-average appearance and are adequately landscaped.

Though flat, the site has been filled to some degree with fill material from other areas of the Ardenwood Forest development. The panel understands that major earth resculpturing is not an option unless fill were imported to the site to compensate for the minimal grades that are incapable of handling site drainage. The site is open and exposed when viewed from the west access along Paseo Padre Parkway. The large metal standards that support the overhead power line owned by Pacific Gas and Electric are also visible.

The location of several easements, including the power line easement, places unique development constraints on the site's front door and on access from the west. Gaining access to the lands that lie between these easements and Paseo Padre Parkway at the entry on Dumbaron Circle will be difficult if not impossible. Campus Court (a cul-de-sac) and Campus Drive, the first internal roads north of the west entrance to the site, will probably provide the necessary access. This site has been platted in final and the streets and utilities have been built. Street frontage landscaping is now nearing completion.





SURROUNDING LAND USE AND DEVELOPMENT

With the exception of one parcel across the Southern Pacific Railroad tracks to the east, the Ardenwood property is surrounded by major thoroughfares or freeways. North of the Bedford properties across Kaiser Drive are the Metropolitan Life and Cabot, Cabot & Forbes properties. To date, development on these properties is of reasonable quality and, given the covenants, conditions, and restrictions,

there is every indication that development on the remaining parcels on Kaiser Drive will attain the same quality level. The panel recommends that Bedford achieve a competitive advantage by building a higher quality product than the Metropolitan Life and Cabot, Cabot & Forbes development.

To the east across Ardenwood Boulevard, Olympia Properties is developing Hampton Place, a modest housing project. For the most part, the Southern Pacific Railroad overpass screens Hampton Place from the Bedford parcel. Hampton Place has a neutral impact on the Bedford property.

Immediately across the Southern Pacific Railroad overpass is the Ardenwood Historic Farm Park, clearly an asset to the property. Nonetheless, the panel expressed concern about the park's unsightly debris, excess farm equipment, and unrestored buildings on wood cribbing. A regional park district representative noted that the Ardenwood Historic Farm Park is about three years into a five-year development plan that will address these problems. Therefore, within the two- to three-year startup period proposed for the Bedford property, Ardenwood Farm Park will approach full restoration and improvement. Large stands of eucalyptus trees in the park provide an excellent backdrop for the Bedford property when viewed from the Dumbarton Bridge approach via State Route 84.



Intersection of Ardenwood Boulevard and Kaiser Drive. The Bedford site is at upper right, the Metropolitan Life site is at lower right, and the Hampton Place residential units are on left.

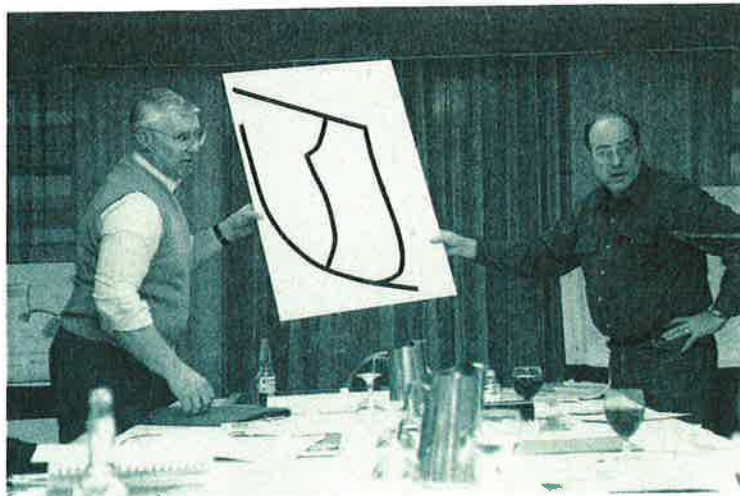
Across the Southern Pacific Railroad tracks along the property's east boundary, a separately controlled, seven-acre parcel is zoned for thoroughfare commercial. A current proposal for the parcel calls for the development of an automobile repair center along with fast food restaurants and general retail facilities. Initially, the panel felt strongly that control of this parcel was important to the development of the Bedford property and that the parcel's proposed use would adversely affect the Bedford property. After careful analysis of the sight lines both from the Bedford property to the parcel and from the various approaches to the Bedford property to the parcel, the panel concluded that the proposed land uses, while not ideal, should not significantly detract from the value of the Bedford property.

Bedford Properties can select from at least five options in responding to the proposal for the seven-acre parcel:

1. Bedford Properties could neither endorse nor oppose the development now under consideration by the planning commission. Since Bedford Properties is relatively new to Fremont and is therefore not well known within either the development or general communities, its taking a position on the proposal could bias the community's impression of the company. Instead, Bedford may be able to create a corporate image independent of a specific proposal for an adjacent property.

Panelists Ron Hoisington (seated) and Roy Potter review Ardenwood briefing book.

Ron Hoisington (left) and Frank Spink show the other panelists a design concept.



2. Bedford could consider specific opposition to the automobile service center component of the proposal since it is a conditional rather than permitted use under a planned district application. If such opposition paralleled the views of other area property users and the general community, Bedford's reputation might be enhanced. However, the developer of the automobile service center would still be permitted to proceed with uses by right and without making the site improvements that might have been negotiated in exchange for the approval.
3. Bedford could support approval of the development proposal with conditions that would reduce the automobile service center's negative impacts on the Bedford property. At least two such conditions have merit. First, in the plan under consideration, the rear building line of the automobile repair facility immediately abuts the property line of the railroad tracks. Under normal circumstances, the city would require a 10-foot landscape buffer between the rear of the buildings and the property line. In this case, the planning staff concluded that such a planning strip might turn into a dumping ground for old automobile parts and tires. Second, landscape buffering would help screen the facility from the Bedford property and would complement Bedford's developing landscape screen on the opposite side of the railroad tracks. Bedford might even

request a condition requiring the applicant to provide the plant material and to plant a landscape barrier on the Bedford property to enhance the screening.

4. As a condition of approval, Bedford Properties could seek a right of enforcement of covenants, restrictions, and lease regulations governing the cleanliness of tenant operations. The panel's discussion with the developer indicated that he would not be opposed to Bedford Properties becoming a party to the enforcement.
5. Bedford Properties could consider the acquisition of the seven-acre parcel for incorporation into the company's overall plan. The panel has concluded that such acquisition is not necessary even if an attractive purchase price could be reached.

The southern boundary of the property is State Route 84, the major access freeway to the Dumbarton Bridge via Interstate 880. The underdeveloped property immediately south of the freeway is located within the city of Newark rather than in the city of Fremont. The panel was unable to acquire more than minimal information about the intended land uses for this property since Newark is considering general plan amendments. Bedford Properties should pay close attention to the outcome of wetlands litigation that affects some of the property and to any general plan, zoning, or development proposals for the parcel. To the extent possible, Bedford Properties should encourage the city of Newark to approve zoning and development of these parcels consistent with the image and community values recommended for the Bedford property.

On the western boundary across Paseo Padre Parkway, Leslie Salt owns a parcel designated for industrial development in accordance with the Fremont general plan. This parcel is also the subject of pending wetlands litigation. Fremont's assistant city manager advised the panel that the parcel's level of salinity is so high that the cost of making the land developable will probably keep it off the market for the foreseeable future. The panel suggests that Bedford verify the assistant city manager's claims.

The remaining property across Paseo Padre Parkway from Bedford's holdings is designated on the Fremont general plan as institutional/open space. The panel learned that the institutional/open space is not as likely to be developed as the open space urban reserve areas that lie to the north of Kaiser Drive.

Except for deciding how to respond to the automobile repair center application, Bedford Properties need not take any significant actions to protect its interests. As a responsible developer in the community, however, Bedford should monitor proposals for the use of properties surrounding its holdings. As Bedford establishes its reputation in the community, it should, as a concerned corporate citizen, support proposals that are in the best interest of both the community and the company and seek to modify proposals that fail to reinforce community goals.

MICROCLIMATE CONSIDERATIONS

The panel identified at least one climatic characteristic that Bedford Properties needs to recognize and address in its development activities. Much of the literature describing the East Bay shoreline refers to the bay breezes. In fact, these breezes are winds that dramatically reduce temperatures in the late afternoon and evenings.

The panel learned that many building designers have taken the so-called bay breezes into consideration in both landscape design and building orientation to shield spaces intended for outdoor use from the prevailing winds. Bedford Properties should consult qualified professionals in designing landscaping plans and in working with potential tenants to ensure that design solutions for individual sites incorporate considerations for the wind. Such an effort may be particularly important when recruiting potential tenants from the West Bay where the prevailing westerly winds do not create a cooling late afternoon microclimate.

LAND USE CONTROLS

REGULATORY CONSTRAINTS

Bedford Properties's 185-acre Ardenwood Technology Park is part of an 800-acre planned development—Ardenwood Forest New Town. In April 1982, the city of Fremont and Brookmat Corporation (owners/developers of Ardenwood Forest New Town) formulated a development agreement for the entire 800-acre Ardenwood Forest New Town. The development agreement binds both parties to a comprehensive development plan and states that land use and improvements within the planned development shall be in accordance with a precise site plan. Since 1982, the development agreement has undergone only two minor changes.

An understanding of the regulatory constraints on the Bedford industrial area requires an overview of the regulations for the entire Ardenwood Forest project. The development agreement is the key to the development of Ardenwood Forest New Town. Balancing housing, employment, and services, Ardenwood Forest is the only planned district in the city of Fremont where, under a provision of state law, the city and the master developer (Brookmat) executed a development agreement. The parties agreed to a set of developer-provided public improvements that, if constructed, guarantees public approval of

Existing building in Ardenwood shows the current standards of design and landscaping.



development in conformance with the planned district-specific site plan. Any major deviations from the terms of the planned district-specific site plan may open the development agreement to modification.

The panel senses that the current Fremont city administration is not satisfied with the terms and conditions of the development agreement and would, if a proposal were made to amend the planned district-specific site plan, seek more actions. The panel also believes that the city would find even modest changes to the approval documents unacceptable. Therefore, Bedford Properties must proceed carefully and with full detailed knowledge of the implications of any proposed modifications. Opening up the development agreement to further consideration by the city could lead to the imposition of costly requirements on the developer and could damage Bedford's public image.

To complicate matters, the master developer of Ardenwood Forest (Brookmat) is highly protective of the terms of the development agreement and the related plan. Again, Bedford Properties needs to develop a full and complete understanding of the master developer's commitment and willingness to support, or at least not oppose, any modification or interpretation that Bedford might wish to propose.

While the panel does not believe its recommendations would open the development agreement to modification, it does suggest that Bedford Properties carefully analyze the panel's conclusion before engaging in actions that might draw the public's attention.

COVENANTS, CONDITIONS, AND RESTRICTIONS

Given the recommendations of the panel, Bedford Properties needs to analyze the current covenants, conditions, and restrictions that cover not only Bedford's but the Metropolitan Life and Cabot, Cabot & Forbes holdings. Modification of these covenants, conditions, and restrictions might be required to achieve some of the development recommendations pertaining to landscaping and building design. Further, the panel is concerned that the covenants, conditions, and restrictions as presently written may limit the flexibility needed by Bedford Properties to accommodate potential users as the property develops.

The panel is also concerned about the covenants, conditions, and restrictions relative to Bedford's control of the architectural review board and the process for modifying landscaping. The voting structure could cost Bedford Properties the control of the board too early in the process, thereby raising the possibility that the development will not be completed in conformance with the standards and concepts recommended by the panel. Again, the panel advises Bedford Properties's staff and legal counsel to examine the covenants, conditions, and restrictions to determine whether or not Bedford Properties will have sufficient control over the development process, particularly as the development nears full buildout.

DESIGN CONCEPT PLANNING AND DESIGN RECOMMENDATIONS

EXISTING CONDITIONS

Plan. In the absence of existing improvements, the panel would have suggested a different design layout for the plat and plotting plan. Nonetheless, the panel sees no reason to recommend any major changes to the street pattern currently in place.

Quality. The panel recommends a moderately upscale development that is above average in relation to the surrounding area and other competitive research and development office developments in the Fremont/Newark/Milpitas areas. As both a gateway site to Fremont and the first development approached from the West Bay via the Dumbarton Freeway, Ardenwood should embody reasonably upgraded prices and amenities.

Visual and Landscape. The scale of the landscape and entry features are effective only at close range. The plant materials are too small and do not offer the visual impact necessary to draw attention from the freeway. A driver heading west on State Route 84 may not even see the water feature midway along the site. Certainly the current corner landscaping at State Route 84 and Paseo Padre Parkway does not create a sense of place for Ardenwood.

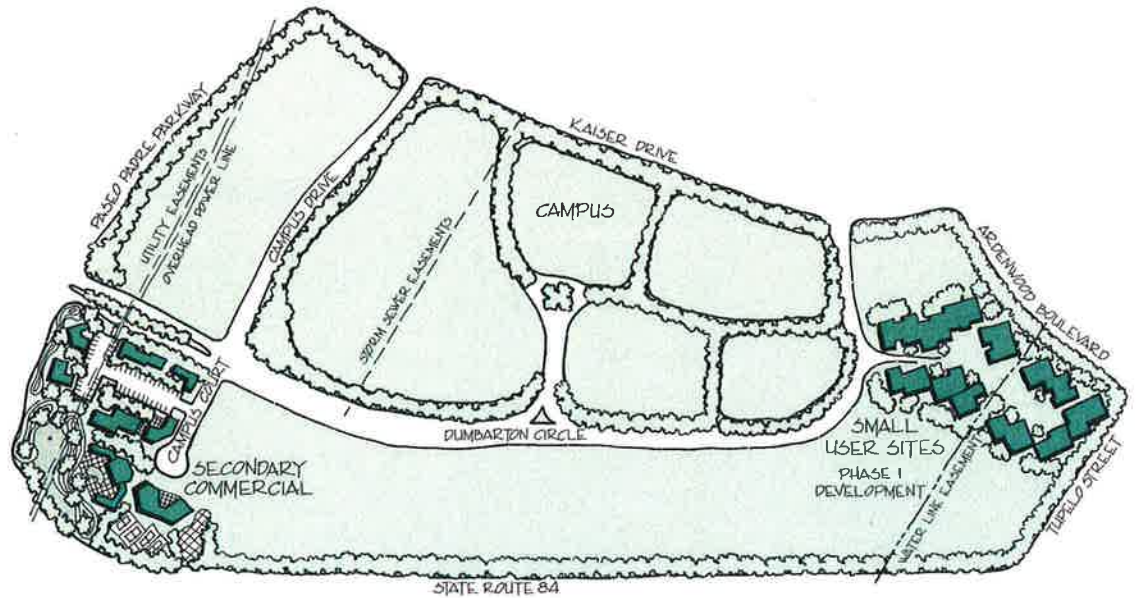
The west access from State Route 84 is the future primary access to the site, suggesting an opportunity for a significant landscape and graphic statement. The panel recommends the creation of a two- to three-acre lake and water feature with large spray fountains illuminated at night. The lake would be sculptured in and around the overhead power line standards and utility easements at the intersection. The spoil material from the excavation of the lake area would be used to create sculptured earth berms and grade changes that would provide the intersection with some scale and create opportunities for additional landscape buffering and visual interest.

The spray fountains must be powerful enough to be visible from long distances. On the west to east drive through the toll booth, the site comes into view on the left. The large water fountains would be visible from both the west and east approaches to the intersection of State Route 84 and Paseo Padre Parkway. At

the corner of the site, the large lake and water feature will not only add interest to the site, but provide a buffer and landscape backdrop for future users in the secondary commercial site. The berms should be artistically planted with large specimen plant materials to gain an immediate effect of quality and maturity. The overhead power line standards should be screened by placing wire mesh around the standards (either on the standards themselves or on vertical supports around the standards) to accommodate ivy or other vining plant materials, assuming permission to do so from the utility. Large evergreen plant materials placed around the overhead power line standards will, in conjunction with the earth berms and vines on the base of the standards, camouflage the towers. The strength of the vertical water element will draw the eye away from the towers. The same landscape treatment should be applied to the standard in the entry median on Dumbarton Circle. The Dumbarton Circle entrance landscaping should either be redesigned or augmented with much larger plant materials to create a more mature and inviting appearance.

Entrance to Ardenwood is currently unimpressive.





An even better but more costly solution is the replacement of the current legged-steel towers with prestressed concrete poles of more aesthetically appealing design. The panel learned that Pacific Gas & Electric (PG&E) does have concrete stanchions. Replacement of the present towers would be much more effective in improving the appearance of the site's front door than the screening already suggested.

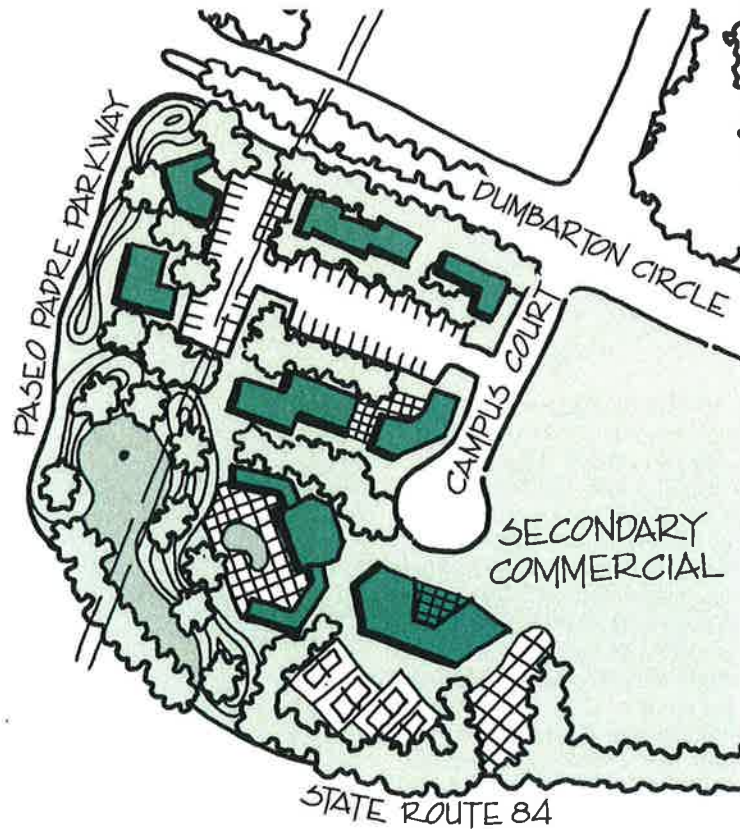
The purpose of the above suggestions is to create entry features at a scale that speaks to the surrounding exposures. Since buildings will not be constructed at this corner, the suggestions present an opportunity to make a dynamic development statement in earth form, water, fountain sprays, and landscape plant materials.

RECOMMENDATIONS

Internal Land Use Relationships. In general, the panel does not find fault with the general location of land uses established by the plan district and specific plan. The current street system as completed will support the panel's recommendations. The panel, however, would like to offer specific recommendations relating to the location and design of the secondary commercial area, the introduction of a campus concept, and the provision of sites for smaller users.

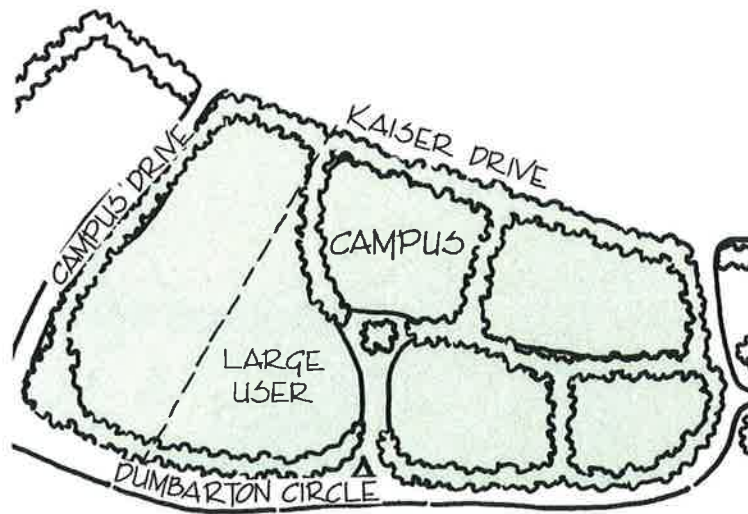
Secondary Commercial. Plan shows the secondary commercial uses located to the west side of Campus Court. The panel recommends the creation of a retail village on both sides of Campus Court, with the boundary between the support retail and the industrial/business uses moved to the east to include all or a portion of parcel 8. Users that might be located in either the industrial zone or the retail zone would be located to the east side of Campus Court and might include a daycare center or a health club or conference/training facility. This recommendation requires the city of Fremont to determine that such subtle adjustments and intermixing of uses would not require anything but *pro forma* interpretations of the specific site plan, provided that the total land area devoted to service commercial does not exceed the land area designated on the specific plan. The panel believes that these land use recommendations have merit and that the appropriate decision-making bodies will concur with the panel's conclusions regarding interpretation.

The panel recommends a distinctive design treatment for the retail village to differentiate it from the research and development office areas and to achieve a pedestrian scale at the village



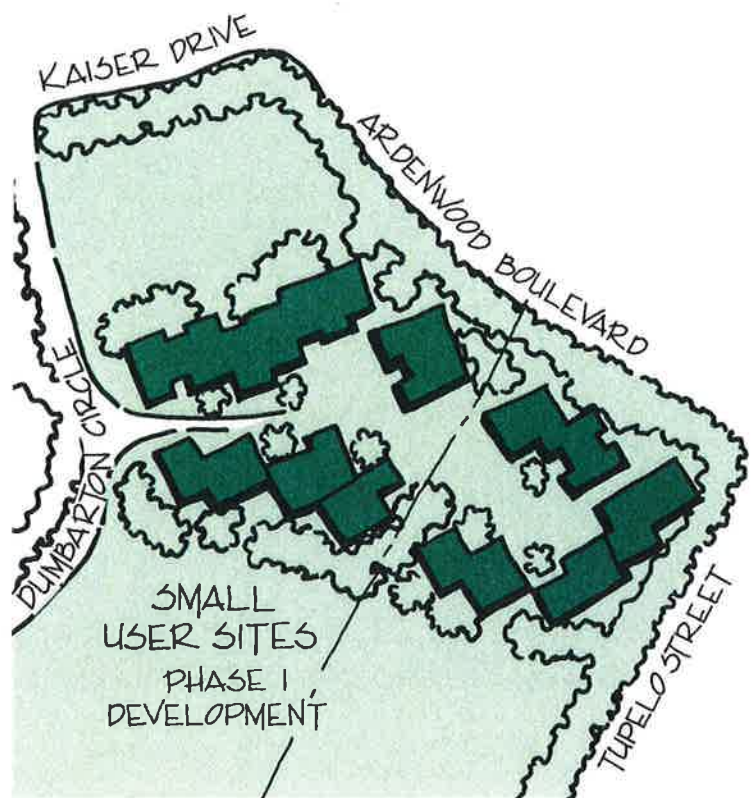
entry. The buildings within the village should be designed at a scale different from that of the development's other land uses. Bedford Properties should investigate shopping district design concepts that treat the retail uses not as individual parcels but rather as an integrated whole. Integrated design ensures that circulation, parking access, landscape treatment, signage, and lighting work in harmony to create a special sense of place and character for the retail village.

The panel recommends that Bedford Properties engage a design firm and a developer intimately knowledgeable of the integrated approach to retailing to oversee the design, market analysis, development, leasing, and management of the retail village.



Small User Concepts: Phase 1 Development. To create a dramatic entry into the project, the panel recommends replatting parcels 12, 13, and 14, thereby eliminating direct access to either side of Dumbarton Circle from Paseo Padre Parkway to Campus Drive. The panel recommends retaining the reconfigured parcels along Campus Drive from Dumbarton Circle to Kaiser Drive for research and development use with all access from Campus Drive. The panel also suggests reserving parcels 2 or 3 for smaller users, necessitating the extension of a cul-de-sac or other roadway into the parcel.

Campus Concept. The panel recommends designation of the area bounded by Kaiser Drive, Campus Drive, and Dumbarton Circle for campus-type development. The panel further recommends that a large user occupy a single site within the campus. Although refinement of the campus concept for the entire parcel might lead to other conclusions, the panel's initial recommendation calls for locating the large user on the corner of Campus Drive and Dumbarton Circle. This corner is the most highly visible site within the parcel when approached from Paseo Padre Parkway via Dumbarton Circle. It represents the greatest opportunity for creating a unique site for a major user. Should Bedford fail to recruit a major user, it could still attract smaller users for the entire central parcel while adhering to the campus concept as an organizing principle for the site's overall development. The campus concept would differentiate product areas within the entire project and set Ardenwood apart from the other lot-by-lot developments currently proposed in the Fremont area.



Amenity Recommendations.

The panel identified five major nonphysical amenities for possible incorporation into the project, including a daycare center, health/exercise facility, a conference/training center, restaurants, and a hotel/motel property. These uses would provide the project with a set of amenities unique to Ardenwood, differentiating it from other projects in the Fremont area and, to some extent, from other developments in the Bay Area.

Daycare Center. Increasingly, daycare centers are becoming one of the most important workplace amenities. The panel's contacts with a daycare center operator suggest that the management and reputation of a center are as important as the physical plan.

The daycare center should be located in or adjacent to the retail village. However, in its discussions with the regional park representative, the panel raised and received a reasonably positive response to the idea of developing a daycare center in the Ardenwood Historic Farm Park. If the daycare center were located in the regional park, the children would enjoy immediate access to the natural environment. An Ardenwood Historic Farm Park location would also draw children from the surrounding community as well as from the Bedford property. Further, the traffic from the surrounding community would not increase the traffic within the research and development office area.

Bedford Properties may find that involvement in the daycare center located in Ardenwood Farm Park would allow for the development of a far superior facility without committing valuable commercial land within the project to child care. California law governing daycare centers requires 35 square feet of interior space and 75 square feet of outdoor space per child for a total of 110 square feet per child. A facility designed to accommodate 100 children would require at least 15,000 square feet of land, but more than likely about one-half an acre. The panel recommends Bedford's involvement in providing child care but advises the developer to evaluate carefully the two possible locations for the daycare center.

Health/Exercise Facility. The panel received mixed comments regarding the desirability or need for a full-scale health facility within a research and development office park such as that proposed. Bedford Properties should examine the scale of a health facility in relation to the in-house health facilities that may be provided by tenants. If Bedford does include a health center in the amenity package, it should locate the facility in or adjacent to the retail village. In addition, Bedford should design the sidewalks and trails that comprise the pedestrian system to connect the health facility with all land uses throughout the project.

While the panel is not totally convinced of the need for a full-scale health facility, a pathway system that provides opportunities for walking and jogging should be a part of the development plan. Such a system will provide an attractive visual amenity, allow outdoor exercise and interchange between employees from various clusters, and, more importantly, allow some reduction in intrasite movement of cars between the individual facilities and the retail village.

Conference/Training Facilities. The panel believes that the park could potentially absorb a conference/training facility that may or may not be developed at a scale that could be accommodated within the retail village. The panel envisions the facility as a more sophisticated meeting center than that typically offered by a hotel and including special audio-visual and other training equipment attractive to potential Bay Area users. The facility would be centrally located between Stanford University and the University of California at Berkeley and within a market area where users have been identified. This central location may be the factor that makes such a facility feasible. If the prospect of a conference/training facility is deemed acceptable by Bedford Properties but an opportunity to develop a center is not immediate, the panel recommends that Bedford reserve land either adjacent to the retail village or along the Paseo Padre Parkway side of Campus Drive.

Food Services. Food services in the retail village are clearly an important amenity. The food establishments should represent the full range of prices in order to meet the needs of the project tenants and should include a delicatessen that offers lunch and breakfast and two full-service restaurants. Ideally, the retail village should offer a medium-priced full-service restaurant and a relatively upscale full-service restaurant. It is the panel's understanding that quality restaurants have not performed well in the Fremont area; even modest-priced full-service restaurants have experienced difficulty. Therefore, sponsors must look carefully at the energy and sophistication required to identify successful food service operations. The failure of a major restaurant in the retail village would severely damage the overall image of not only the retail village but, to some extent, the larger project.

Hotel/Motel Property. While the panel's analysis of the current transient housing supply and occupancy records suggests that the Fremont hotel/motel market is currently overbuilt, the panel feels strongly that a hotel/motel property should be planned for the retail village. The facility should be so located that its parking requirements are met by the easement and screened areas at the corner of State Route 84 and Paseo Padre Parkway. The panel's image of the hotel/motel facility is an inn that includes a modest amount of meeting space and perhaps some out-building suites for long-term guests. The developer should look to the West Bay for guidance in this regard.

General Landscape Considerations. As the site appears today, the street landscaping and berms do not create a naturalistic setting. The street trees are too small and, at this point, unimpressive. The streetscape will, however, undergo a change in the future with the addition of buildings and the maturation of plant materials. The panel recommends the periodic installation of larger street trees to improve the scale and depth of the landscaping. As buildings are constructed, their front edge landscaping should be integrated into the overall site and building plan. The perimeter landscape should include a meandering jogging or exercise trail that links the Ardenwood Farm Park Preserve on the northeast to the Coyote Hills on the northwest via the scenic easement and drainageway.

Building Design and Quality.

The covenants, conditions, and restrictions established before Bedford Properties acquired Ardenwood provide for an architectural review committee that reviews the design criteria for the park by interpreting and enforcing the design regulations. The design regulations accompany the covenants, conditions, and restrictions and specify the guidelines for architectural design, site planning of improvements, landscaping, color scheme, exterior finishes, and materials. Bedford Properties is empowered to select the members of the review committee and therefore control the quality of design in Ardenwood.

With more than a mile of frontage along State Highway 84, the project could, if designed without care, present the backs of structures or unlandscaped parking lots to the roadway. Instead, an architectural control committee, guided by a sound site design and review process, can ensure quality design. Bedford should guard against the tendency of brokers and large users to dilute tough standards during their negotiations for a purchase or build to suit. Bedford should also require enhanced landscaping along the project's periphery and encourage the architectural shielding of roof-mounted equipment as well as pitched-roof designs to avoid a flat, linear streetscape. In addition, Bedford Properties should require full, four-sided design and the breakup of long unattractive walls. The first stages of development will determine the project's quality and value which could be damaged by ill-considered architectural and landscape design approvals.

Parking/Shared/Group. The provision of adequate parking in research and development office or business parks is an increasingly important issue for commercial developers. Traditional practice requires all parking to be accommodated on a single site for a particular user. Alternatives that share or group parking to maximize the flexible use of facilities for all park tenants is an idea deserving investigation. The panel, recognizing that the specific plan rigidly sets forth parking requirements, does not advise Bedford to consider parking alternatives without careful deliberation and an open discussion with the appropriate parties. Alternative parking schemes may, however, be difficult to market both to tenants and the community. But, since innovation and creativity are important aspects of the high technology tenant group and are a long tradition in the city of Fremont, the parking alternatives may eventually gain needed support.

Illustrative Sales Document. The panel concluded that Bedford's graphic documents fail to convey the site's design potential. The panel has prepared a graphic plan that features the recommended project elements. Bedford Properties should expand its sales documents into an illustrative sales package that clearly conveys the project's potential to interested users.



Scale Model. Bedford should consider developing a model to display the planned development of the site. The model should be designed for periodic updating to reflect actual development progress consistent with the development plan. A visual presentation translates general building documents into three dimensions, capturing the imagination and encouraging the participation of potential users.

MARKETING STRATEGIES

MARKET FACTORS

The Ardenwood development and marketing strategies are based upon an assumed potential for approximately 2,500,000 to 3,000,000 square feet of research and development office space in the park. Some unique characteristics help determine the strength of the site's potential.

PROJECT STRENGTHS

LOCATION

All forms of transportation available in the Bay Area serve the centrally located site. Situated east of the toll plaza on the Dumbarton Bridge, the site enjoys direct automobile and truck links to the East Bay and West Bay communities. In addition, excellent access to the three major airports (San Jose, San Francisco, and Oakland) provides an almost unlimited choice of flights to any destination. Rapid transit service (via BART to Oakland and San Francisco) is available approximately five minutes away at the Fremont station.

Current graphics do not give the image of an upscale research and development business park.

Fred Kober (left) and Frank Sparicio editing the market analysis section.



HOUSING

Housing is available with an assurance of further supply that is lacking in the West Bay. A mix of starter as well as moveup housing generally characterizes the market, although a luxury market is emerging in the foothills of Fremont and in adjacent communities within a short drive of the project site.

EMPLOYMENT

Fremont's employment base is composed of skilled clerical and administrative employees and engineering talent. In addition, the superior educational facilities of the University of California at Berkeley and Stanford University attract a labor pool dominated by professionals.

SITE

Ardenwood Technology Park, when viewed from the adjacent highway, reveals no distinctive features. Nonetheless, the park itself generates positive reactions when experienced at grade level. Therefore, the panel suggests the development of a design theme to improve the park's image. The theme could focus on fountains, sculpture, or some other element that would direct attention to the Paseo Padre Parkway entry from State Route 84 via the Dumbarton Bridge.

BROKER EVALUATION

The panel interviewed a number of brokers, almost all of whom noted that Ardenwood enjoys a positive image or at least does not suffer from a poor reputation. An additional strength is Ardenwood's potential attractiveness to major users, owing primarily to the park's relative size and quality as compared to other available sites in the Bay Area. Brokers questioned about similar parks or sites that might be available limited their responses to three locations: Bay-side Park in South Fremont along Interstate 880, Ardenwood, and opportunities in the Pleasanton/Bishop Ranch area. A less tangible factor is the change of ownership from Kaiser Development Company to Bedford Properties. Kaiser's inactive approach, particularly in the latter stages of ownership, met with a negative response. By contrast, the brokers' perception of an action-oriented Bedford is an asset that can help the company gain the support of the general community.

TENANT ATTITUDES

A group of satisfied tenants within Ardenwood itself is a definite advantage. The tenants interviewed by the panel included equity participants as well as lease occupants, all of whom reacted positively to the project location and the work environment. The employee housing opportunities—the ability to relocate from rental units in the West Bay to owner-occupied units in the East Bay—is a particular strength. Despite an absence of on-site amenities, including food and other retail establishments and daycare facilities necessary to a successful business park, off-site development could materialize and/or follow when sufficient development occurs.

The image of East Bay as a blue collar low-wage area with union problems and provincial attitudes is gradually dissolving. The change is due in part to the increased number of white collar workers attracted to Fremont by the short commute to many West Bay communities. In addition, many executive and management personnel work in Fremont and live in West Bay, taking advantage of the reverse commute.



PROJECT WEAKNESSES

IMAGE

Bedford Properties is *not* a well recognized firm in the South Bay/East Bay area. While the company may enjoy a reputation in other parts of the Bay Area and nationally, it is not generally known in the immediate area. The park itself lacks any identity among potential users; it is an inactive project.

MARKET

Of more concern is the two- to three-year supply of existing research and development inventory which complicates plans for the immediate development of the site. In fact, the several deals closed over the last year to 18 months in the Fremont area have been tied to a price-sensitive market and were often transacted on a negative economic basis.

DEVELOPMENT AND MARKETING GOALS

The panel has identified three interrelated development and marketing goals.

- The primary sales and marketing goal is to develop 2,500,000 to 3,000,000 square feet of space over eight to 10 years.
- The second goal is to overcome Bedford Properties's current lack of identity; to stimulate, create, and develop a positive image.
- The third goal is to develop the image of Ardenwood as an upscale research and development office park.

DEVELOPMENT PROGRAM

To develop 2,500,000 to 3,000,000 square feet during an eight- to 10-year period, Bedford must undertake several programs. First, within 18 months, Bedford should concentrate on identifying a major user of at least 300,000 to 500,000 square feet. With recruitment of a major user, Bedford should phase an annual build-out rate of 400,000 to 500,000 square feet, thereby completing the program within the eight- to 10-year period. The phased buildout should include the following:

- *Land Sales to Users.* Bedford should sell land to financially sound users who require a substantial amount of space and whose presence enhances the image of the park.
- *Build to Suit.* Bedford should encourage build-to-suit deals by identifying potential users and suitable sites.

Amber C. Howell, Bedford Properties, coordinated the logistics for the panel.

- **Multitenant Space.** Bedford should construct a 40,000- to 50,000-square-foot multitenant building early in the development process. The development of available space will create a sense of action that reinforces overall project marketing. While such development may appear risky, it will send a signal to the market that something is happening at Ardenwood and that space will be available.
- **Developer Sales.** Bedford Properties should ask the brokerage community to identify developers and to discuss with them the sale of pads to users. Bedford should allow these developers to purchase sites, providing they deliver reputable users of substantial space.

TARGET MARKETS

Large Users. Any marketing program should target major users who will help create a focus for the park. Initially, the search for users should be limited to the immediate West Bay area, concentrating on Menlo Park, Palo Alto, and Mountain View, with eventual expansion into the overall San Jose/Silicon Valley area. Example companies that would be included in such a program are Sun Microsystems, Lockheed, Hewlett Packard, Apple, GTE, and the other 10 to 15 major concerns in the immediate market.

Tenants with Growth Prospects. Tenants with growth prospects might be termed "mature users" already present in the park, including Electrofusion, VitaLink, TCI, and others. These firms have established a track record from initial startup with limited space, followed by a gradual increase in size and then a need for additional square footage. Eventually, after continued growth, they look for space where they can expand without problems in what is termed or perceived as a less expensive market. Bedford should aggressively develop and encourage the growth prospects market.

Smaller Users. The panel recommends construction of a speculative, multitenant research and development office building targeted to the larger of small companies. The building would function as an incubator for tenants that require a minimum of 2,500 to 3,000 square feet that could be expanded as the need arises. Bedford should develop such a 40,000- to 60,000-square-foot building early to generate interest and activity in the park.

MARKETING PLAN

The project requires a comprehensive marketing plan to identify potential users and develop the image of Bedford Properties and Ardenwood. The far-reaching plan should be completed in a three- to six-month period and include but not be limited to the following:

Marketing Team. Bedford should select a brokerage firm and assemble a total marketing team after reviewing competitive proposals from perhaps three brokerage firms. Bedford should provide clear direction on the proposal contents and require a rapid turnaround for submission. The proposal should include identification of the sales team, sales strategies, time frames, users, market identification, and niche prospects. The Bedford Properties team members must identify their decision maker before advising the brokerage team on the parameters, guidelines, and policies it must follow and the frequency of meetings and reports.

The marketing team must consist of various consultants, including representatives of a public relations firm and an advertising agency, a graphics designer, and, as necessary, technical experts from other disciplines.



Frank Spink (standing) looks on as Fred Kober (left) and Frank Sparicio devise a marketing and development strategy.

Bedford Properties should include a range of incentives in the winning brokerage firm's compensation package. In addition to the regular commission schedules for various products in the park, incentives should be geared directly to the procuring agent to stimulate superior performance. Such incentives could include expense-paid trips, high image vehicles, and cash bonuses for the delivery of sales or users earlier than anticipated and at rates at or above the projected *pro forma*.

Brochure. The panel recommends that Bedford produce a corporate brochure for public relations purposes. The brochure would quickly satisfy the "who, what, and where" questions for both users and the public/private sector in the Fremont area and demonstrate the quality and characteristics of Bedford's mix of business interests.

Graphics. Bedford should develop a graphics program that provides Ardenwood with instant recognition in the marketplace. Within the general category of graphics and signage, Ardenwood is a suitable, appropriate, and probably positive name. While the term Ardenwood Technology Park may have been appropriate at an earlier date, the proliferation of park names that feature the word "technology" suggests the elimination of "Technology Park" from Ardenwood's name.

Project Brochure. Ardenwood would benefit from a project brochure that conveys a fresh and stimulating marketing approach to the upscale market. The brochure should emphasize the favorable aspects of the park, with aerial photographs identifying new and mature housing areas, commuting patterns, educational facilities, recreational and cultural facilities, and many other features that contribute to the uniqueness and accessibility of Ardenwood within the Bay Area.

Video. Bedford should produce a 10- to 12-minute video introduced by Peter Bedford. The professional and sophisticated presentation could be used with community or neighborhood groups, municipal and other government agencies, user groups, brokers and any other stakeholders identified as the process evolves.

Advertising. Bedford should develop an advertising program targeted to trade publications, journals, newspapers, and special editions geared to the real estate community.

A COORDINATED APPROACH

Parallel with the preparation of the recommended sales program, the panel recommends that Bedford engage in a set of image-building activities at two levels. At the company level, activities should include an organized and detailed schedule of meetings between Bedford executives and all interested groups in both the public and private sectors. Participation should extend to the key owners of land surrounding the Ardenwood property and to other private and public interests—local, state, or federal—whose jurisdiction includes Ardenwood. Activities should run the gamut from formal and informal meetings, lunches, and breakfasts to neighborhood association meetings if such associations exist and represent well balanced constituencies. Peter Bedford should be involved in the major activities and the project manager should be involved in *all* activities, as should any other personnel needed to implement the program.

Panelist Ron Hoisington (left) interviews local expert for site plan analysis.



At the project level, Bedford should develop a separate and distinct public relations campaign. Any and all issues could fit into the campaign on a carefully planned basis. The campaign could, for example, treat environmental issues positively, with an article or memorandum dealing with any endangered species identified on the site. If Bedford executives are engaged in community or philanthropic activities or serve on community boards and commissions, a well orchestrated public relations program should highlight such involvement.

Concurrently, the brokerage firm should be engaged in a schedule of events that includes visits to other brokerage firms, open houses for brokers, meetings with user groups, and a regional and national search to identify business link-ups in the valley with such firms as Sun Microsystems and AT&T. In other words, the brokerage firm should program a set of activities that focuses attention on the project.

In summary, although Ardenwood possesses the potential to evolve into a high quality business park in the East Bay area, the present market environment does not necessarily guarantee instant success. While the program needs some time to develop, Bedford must aggressively institute all aspects of the marketing program. If the analysis of market factors and timing is accurate, there is sufficient time to plan a major marketing effort. But the effort will require the combined forces of Bedford, a strong marketing team, and a "little bit of luck" to achieve the desired result.

IMPLEMENTATION STRATEGIES

IMPLEMENTATION PROGRAM

Although substantial absorption may be several years away, predevelopment activities and some site work must begin immediately. Bedford Properties must initiate communications with local public officials and the marketplace as soon as the company develops a promotional program, particularly as the project has languished and lacks a public image. Bedford Properties, though recognized within the brokerage community, is not well known among Fremont public officials.

DEVELOPMENT PROGRAM

The first step in the implementation plan is to prepare a general written and illustrated development program that reinforces the message: "Ardenwood can accommodate any size research and development office user in any form of deal." The program should provide for a major user campus with multiple buildings, single-user buildings in a range of sizes, multiuser buildings in a range of sizes, and project amenities. Further, the development program should highlight opportunities for land sales to users; build to suit for sale or lease; land sales to developers with a user, including some speculative space for future expansion; and speculative development.

PUBLIC OFFICIALS AND MARKET COMMUNICATION

Once the program is developed, Bedford should promote Ardenwood to public officials and the market. A team including Peter Bedford and the project manager should make a presentation to key public officials and their staff. Bedford should describe the company and its outstanding projects in other locations, and the project manager should describe Ardenwood. The presentation should offer solid evidence that the prime gateway to Fremont is in capable hands, thereby instilling confidence in local decision makers.

In addition, the practice of taking public officials on site tours of other Bedford developments will establish the company as a high quality developer.

Promoting Ardenwood to the market requires individual presentations to selected brokers. The presentations should focus on the deal flexibility offered by Bedford and include the offer of incentive compensation for a major anchor committed within 12 months.

INITIAL SITE DEVELOPMENT ACTIVITY

Site activities including additional landscaping, new signs and graphics, and the construction of a small, speculative building must coincide with and support publicity efforts. Following the initial activities, Bedford should host monthly, informal follow-up meetings with selected public officials and their key staff and with brokers. Bedford should involve the public officials and staff as part of the team and challenge the brokers to produce deals.

ORGANIZATION

The existing Ardenwood project management team, with support from Bedford Properties's various functional departments, should carry out the implementation steps. In the initial phases of planning and development, a Bedford Properties senior development executive with prior experience in the development of research and development office parks should offer guidance and direction.

POTENTIAL LAND USE CHANGES

Land use on the subject property is controlled by Fremont's general plan, development agreement, and planned district. A major change from industrial to residential use would require, for example, a modification to the general plan, development agreement, and planned district and trigger the need for an environmental impact report. The approval process would probably take three years to complete and raise more questions than it would answer. The city would likely use the development agreement as an opportunity for extracting funds from developers for additional public facilities such as a fire station.

Panelist Fred Kober during interview session.

The development text under "secondary commercial" and "high technology industrial" on the subject site includes a list of allowed uses. Other uses that the city zoning administrator finds similar in nature, function, and operation may receive administrative approval. Minor land use changes that cannot be approved by the zoning administrator would be subject to the normal rezoning process and require about 90 days. The panel was concerned about the viability of a hotel or restaurant because earlier land use regulations did not permit alcoholic beverages to be served in the secondary commercial areas. However, according to the city planning staff, a recent amendment to the secondary commercial designation in the planned district permits the sale of alcoholic beverages.



OFF-SITE IMPLEMENTATION

PROPERTY OWNERS ASSOCIATION

Property owners in the immediate area should form an association to address near- and long-term issues affecting property owners as a whole.

ECONOMIC DEVELOPMENT PROGRAM

Bedford Properties should dedicate one employee to a communitywide economic development program operated by the Fremont Economic Development Committee. After one year, the program could evolve into an independent organization under the Fremont Economic Development Committee.

By catalyzing an economic development initiative, the Bedford organization will enhance its corporate image.

CAPITAL IMPROVEMENT PROGRAM

The property owners association should encourage the city to fund public improvements in the subject property area within the next five years. In fact, during that time period, the city plans to shift \$60 million from its \$105 million reserves to the capital improvement program. Since the capital improvement program is typically modified each year to reflect changing needs, Ardenwood—a major gateway to Fremont from the West Bay—could capitalize on opportunities for considerable enhancement.

GATEWAY TO THE EAST BAY

The approach to Fremont on State Route 84 via the Dumbarton Bridge is barren and unattractive when compared to the more upscale and landscaped West Bay. A local improvement district should be considered by local land owners and other civic-minded individuals to upgrade the appearance of the approach with appropriate landscape design. Property owners abutting State Route 84 would pay the cost of landscaping over a period of years. They could share the costs with the city by using the relatively new State Community Rehabilitation Act and senior obligation bonds that require only a simple majority vote of district property owners. Legal validation of the rehabilitation district would be required if no other entity has proposed a district since the act's passage in 1985. The panel could not determine if the act had been implemented since its passage. Validation through a court would probably require six months to one year.

Another approach calls for investigating whether bridge tolls are projected to retire bridge bonds earlier than expected. If so, a portion of the toll collections could eventually be applied to landscaping improvements along State Route 84 all the way to Interstate 880.

The Coyote Hills Park is a barren range of low hills adjacent to and north of State Route 84. A possible tree planting program on a portion of the hills, as discussed with the East Bay Regional Park District, could reduce severe wind patterns and upgrade the appearance of the entrance to Ardenwood. Private property owners may wish to sponsor such a program on a matching fund basis with the East Bay Regional Park District.

THE "WETLANDS"

The U. S. Army Corps of Engineers suggests that Bedford Properties's mitigation issue is not a major problem. However, the Corps considers the Leslie Salt Company property (ponds) as "wetlands." The Corps's wetlands determination will likely slow the potential for early development of these properties. In fact, the Leslie Salt property is under litigation. Further, the planting of trees with the use of extra fill in the "wetlands" would require a permit from the Corps.

NEWARK

In the Newark area across State Route 84 from Ardenwood, undeveloped parcels 1, 2, and 6 are included in an update of the Newark General Plan. Bedford should follow the outcome of the update for its effects on the subject site.

COMMUTER RAIL

Extension of passenger rail service from the West Bay to the East Bay should be explored in the future to relieve peak hour traffic over the Dumbarton Bridge. Some West Bay communities are reportedly interested in using the existing railroad bridge just south of the Dumbarton Bridge for commuter rail. The line could connect with the main line of the Southern Pacific Railroad which abuts the easterly property line of Ardenwood. A station stop in the area could provide a connection to Oakland and the West Bay.



Bedford Properties executives Seth Nodelman (left) and Benjamin T. Lake at panel briefing.

PROPOSED FREEWAY ROUTE 61

Caltrans has proposed the construction of Freeway Route 61 west of Interstate 880 from Oakland to Fremont and State Route 237 on the south. Some cities to the north of Fremont have reserved land for the freeway either with their own funds or through negotiations with developers. While Caltrans has not determined the freeway route south of Hayward, it is now forming a committee to select the alignment. Even though the freeway may not be built for 20 to 30 years, Bedford Properties and others should review the alignment options. A likely route could follow Ardenwood Boulevard, improving access to the Bedford property by connecting it to a freeway interchange.

Caltrans will study financing options for Route 61. One option calls for a toll road similar to that planned for Orange County under recently passed state legislation. Since Route 61 runs parallel with Interstate 880, it would receive an interstate designation along with possible federal funding.

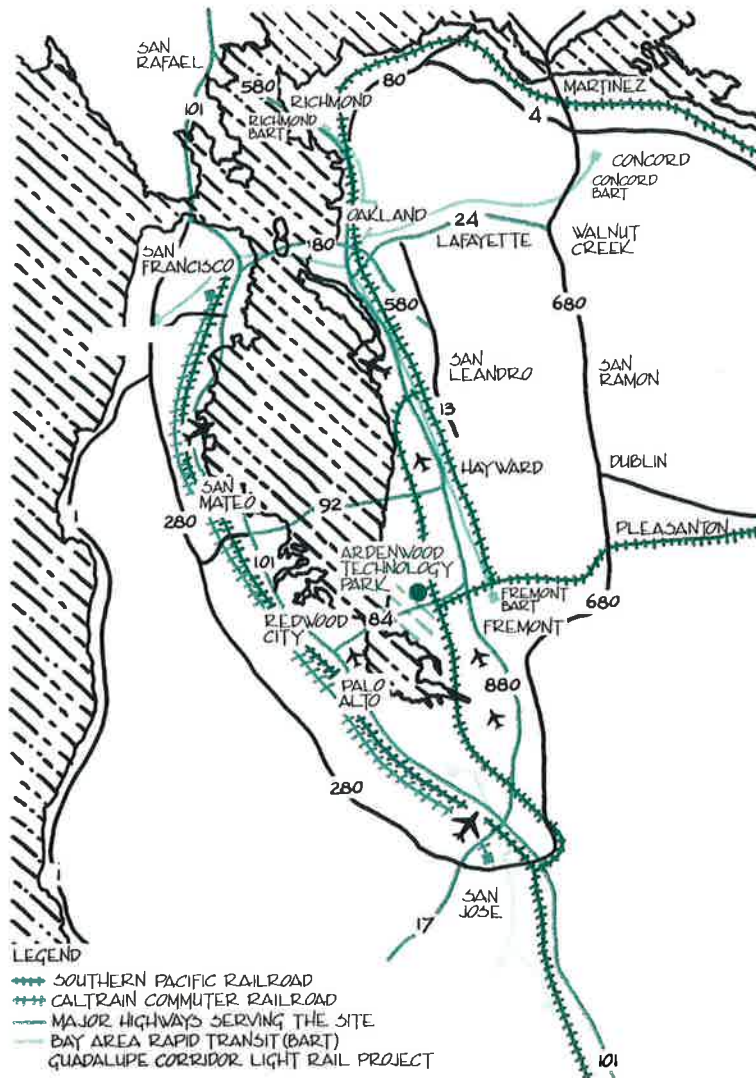
DUMBARTON BRIDGE

Since the West Bay approach to the Dumbarton Bridge is a traffic bottleneck, the West Bay cities are pressing Caltrans for early relief. Caltrans has granted the West Bay approach top priority. Support from the Fremont area to the State Transportation Commission for this and other traffic improvements should speed the process.

CONCLUSION

The panel believes the Ardenwood property represents an extraordinary opportunity for Bedford Properties. The property is well positioned to capitalize on the next expansion of research and development office activity in the San Francisco Bay Area. Transportation access is excellent and the property can easily satisfy the space needs of existing West Bay companies.

The site affords Bedford Properties the opportunity to transfer the company's experience and reputation from other markets in California to Fremont. Although substantial market absorption is probably not possible for several years, it is important that Bedford Properties moves now to establish a development program, publicize the program, and begin both marketing and site activity. The site has languished under Kaiser ownership. The city of Fremont and the research and development office market must see that this choice gateway parcel in Fremont lies in capable hands and that a well considered plan for development will soon be implemented.



ABOUT THE PANEL

JAMES W. TODD
PANEL CHAIRMAN
Fairfax, Virginia

Panel Chairman Todd is President of Hazel/Peterson Companies. Hazel/Peterson is a developer of major mixed-use communities and investment properties in the Northern Virginia suburbs of Washington, D.C. The company is currently developing over 17 million square feet of commercial and residential space in four major mixed-use communities: Virginia Center, a mixed-use urban center on the Washington Area Metro-rail System; Fair Lakes, a 620-acre mixed-use development zoned for 7 million square feet of office, high technology, and residential space; Centre Ridge, a mixed-use residential community with 3,000 residential units and a 250,000-square-foot commercial center; William Center, a mixed-use office community planned for 3 million square feet of commercial development and 1,000 residential units. Before joining Hazel/Peterson, Todd was President of the Eastern Division of Mobil Land Development Company with responsibility for real estate development in Northern Virginia, Atlanta, and Southeast Florida.

ROBERT J. GARDNER
Beverly Hills, California

Gardner is a Partner with Robert Charles Lesser & Co., a nationally recognized real estate market research and management consulting firm. He serves as a project director on analyses dealing with market evaluation, economic base assessment, financial feasibility, development economics, and fiscal implications of major new developments. His focus within the firm is related to commercial and industrial market feasibility and the financial feasibility of income-producing properties. He recently served as an instructor for the Industrial Development Course offered nationally each year by the National Association of Industrial and Office Parks (NAIOP). Gardner currently holds the position of Board Member and Program Chairman of NAIOP/Los Angeles County Chapter. He holds a master's degree in city planning from the University of California at Berkeley and a bachelor's degree in economics from the University of California at Los Angeles.

C. RONALD HOISINGTON
Englewood, Colorado

Hoisington has been a Principal of THK Associates, Inc., since the firm was established in 1969 and currently serves as the Executive Vice President and Director of Land and Development Planning. His planning consulting dates back to 1959, and he has served both public and private clients. His organization supports his expertise in land and development planning, city and regional planning, market research and economics, landscape architecture, urban design, and environmental evaluation. As a land use specialist, his national and regional consulting experience has covered a wide range of projects from large-scale new community developments to a variety of land use evaluations and designs for various-sized planned developments and site planning solutions. Projects include residential, commercial, industrial and business developments and recreational and institutional projects as well as a variety of mixed-use concepts. He represents his clients in presentations of development plans and zoning decisions to a variety of public agencies for approval and permitting.

FREDERICK A. KOBER
Vienna, Virginia

Kober is President of the Christopher Companies near Washington, D.C. His organization specializes in residential development and construction and has 10 projects currently underway in metropolitan Washington and in Norfolk, Virginia Beach, and Newport News, Virginia. Current developments include condominium projects in Reston, Virginia Beach, and Newport News, Virginia; a luxury waterfront condominium and marina community in Norfolk; and two 900-unit PUDs. Christopher develops lots for other builders and constructs homes within its planned communities. Kober is a graduate of Stanford University and the Harvard Business School and has held senior management positions with two national builders before starting his own company in 1974.

ROY POTTER
San Diego, California

Potter is Executive Vice President of San Diegans, Inc., a non-profit planning and development corporation. Potter has spent 32 years in the management, urban planning, and implementation fields. Previous positions and responsibilities include Planning Director, with responsibility for physical development, for Fremont, California; San Joaquin County, California; and the Maryland National Capital Park and Planning Commission, Silver Spring, Maryland. He has also worked on planning and development projects in Panama, Honduras, Nigeria, Ghana, and Egypt.

FRANK. J. SPARICIO
Stamford, Connecticut

As Director of Corporate Real Estate, Sparicio is responsible for all major real estate transactions at GTE Corporation, including the acquisition and disposition of land and buildings and the leasing and subleasing of space for office, research and development, and manufacturing uses. The transactions range in magnitude from \$5 million to over \$50 million while the book value of the real estate assets is approximately \$2 billion. Prior to joining GTE in 1982, Sparicio was with the Hartford Insurance Company where he served as an Assistant Vice President of its real estate subsidiary, HARCO. He is an Associate Member of the Society of Industrial Realtors and a member of the National Association of Industrial and Office Parks. Sparicio serves as a member of the Board of Directors of Broadmoor Housing, Inc., a nonprofit group engaged in stimulating housing development in downtown Stamford, Connecticut. He is also Past President of A Better Chance.

FRANK J. SPINK, JR.
Washington, D.C.

Spink has been associated with the Urban Land Institute since 1967. He is primarily responsible for the development and management of ULI's publication program. He originated ULI's *Project Reference File* and also conceptualized ULI's Community Builders Handbook Series. In addition, as Director of Nonresidential Research, he manages and develops all the Institute's research related to retail, office, and industrial land uses. Spink holds a master's degree in urban planning from the University of Washington and a bachelor's degree in architecture from the University of Illinois.

ROGER A. ZANARINI
Omaha, Nebraska

Zanarini is Manager of National Accounts for Union Pacific Realty Company, a subsidiary of Union Pacific Corporation. He is responsible for establishing customer and industry trade association contacts for the company whose primary charge is the development of business/industrial properties and buildings. He joined Union Pacific Realty in 1970 as a market research analyst. In 1972, he was appointed Director of Real Estate Research and Planning. In 1983, he became Director of Real Estate Development for Union Pacific Realty, holding that position until 1986. Union Pacific Realty is involved in building such projects as office buildings, warehouse and distribution facilities, and research and development facilities. The company also develops business and industrial parks, most of which are served by the Union Pacific Railroad throughout its 22-state operating territory.

