



The Trendsetter

San Francisco District Council Newsletter • Spring 2010

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2010 Market Drivers of Real Estate: Glimmers of Hope Amid Uncertainty

By Pedro Marques, Broadreach Capital Partners and YLG communications co-chair



A standing-room-only crowd gathered in January for “Capital Markets: 2010 Market Drivers of Real Estate,” which featured a distinguished panel representing the commercial lending community, private equity funds, private investors and pension fund consultants.

While the panelists agreed that the world is no longer ending as many people thought in late 2008 and early 2009, there still remains considerable uncertainty in the marketplace. Andrew Friedman, managing director of Shorenstein Properties, noted that, “while there is significant foreign, family, public and private capital out there looking for deals, property cash flows and fundamentals are still impaired.” Friedman went on to say that property values have rebounded from the bottom and have increased 10% over the last

Capital Markets panelists from left: Bob Gray of Rockwood Capital, Andrew Friedman of Shorenstein Properties, Mark Myers of Wells Fargo, and Faye Beverett of Bard Consulting.

90 days. “In the primary markets, yields for Class A properties are already trading in the high 5% to low 7% cap range,” Friedman said.

Faye Beverett, principal at Bard Consulting, noted “The commercial real estate downturn will change the way pension funds operate.” In the near- to medium-term, pension funds will be reticent to grant discretionary authority to advisors, resulting in a slower acquisition process. Additionally, “pension funds will use much of the money allocated to real estate to rescue existing capital, whereas new acquisitions will focus on core assets.” *Continued on page 2*

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AT THE URBAN LAND INSTITUTE

our mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Established in 1936, ULI is a nonprofit education and research institute with over 30,000 members worldwide—2,000 here in the San Francisco Bay Area District Council.

ULI San Francisco serves the Bay Area’s public and private sectors with professional land use expertise and education. Our members form a spectrum of land use and development disciplines, including developers, builders, investors, architects, public officials, planners, brokers, attorneys, engineers, equity providers, academics and students.

ULI San Francisco offers educational events and tours, Young Leaders Group activities, UrbanPlan curriculum in public high schools and universities, policy reports and tools, Technical Assistance Panels, and this quarterly e-newsletter. To get involved with a committee, please see our website or [contact our staff](#).

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2010 Market Drivers of Real Estate:

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Capital Markets panelists offered their outlook for 2010 to a rapt audience of over 150 ULI Members.

Bob Gray, senior managing director of Rockwood Capital, noted that during the past real estate cycle lenders made the mistake of taking equity risk for debt returns.

“Investors will bid for better assets and accept a relatively low yield due to comparatively low yields on alternative investments,” Gray explained. “You would rather get a 6% yield on a building because you are only getting a 25 basis points return on

your money market account.” The risk with this strategy is that treasuries could rise to 6% and your purchase may look imprudent. Moving forward, Rockwood will focus on finding deals for its core fund that will provide a 9% - 11% levered return over 10 to 15 years.

Mark Myers, senior managing director of Wells Fargo, provided the commercial bank’s perspective: “Of the \$3.5 trillion of commercial real estate debt outstanding, approximately 20% is comprised of CMBS debt.” Since the CMBS market shutdown, there is a large gap that banks, life companies, GSEs and specialty sources are unable to cover. In order for the CMBS market to return, CMBS issuers will have to hold on to the riskiest portion of the capital stack in order to assure investors that they have ‘skin’ in the game. What’s more, Myers noted that “you are seeing deal flow coming out of banks, but the majority from FDIC closures rather than individual note sales.” In fact, the FDIC closed 150 banks last year and many of their commercial real estate assets were sold off. So, what will it take for banks to begin issuing construction loans again? “Lenders will only be willing to do this if recourse is involved,” Myers said.

While the panel agreed that the future for real estate looks less dire than the previous year, they acknowledged that recovery will continue to be slow for the foreseeable future. Nonetheless, as Gray concluded on a somewhat optimistic note, “there is plenty of liquidity; everything will trade at a price.”

[Click here](#) to read a recent *GlobeSt.Com* article by young leader Kimberly May, UBS Realty Investors, on *Capital Markets Part II: Asset Advisory, Receivership and Workout Strategies Emerging in the Downturn*.



View more photos from this event on Facebook



For a complete list of upcoming events, please click below to see our

EVENTS CALENDAR

www.ulisf.org

Letter from the Chair & Executive Director

It appears that the 2010 real estate market is showing signs of life. As TMG Partners CEO Mike Covarrubias rhetorically asked at our recent Sponsors lunch, “How many ‘one-off’ transactions make a trend?” We are proud to report that the ULI San Francisco network is at the center of connecting unemployed (or under-employed) members with new work, new deals and, in some cases, even new jobs. Many of our members have established themselves on their own or have re-grouped to leverage new opportunities. And our member companies – and the industry as a whole – benefit from access to a talented pool of individuals who are honing their skills and building their knowledge through ULI’s educational and professional development programs. Special thanks to all of you who have kindly provided mentoring and assistance to our members in their search processes. As the ‘one-offs’ turn into trends, ULI members are poised to hit the ground running.

Rick Dishnica, Chair

Kate White, Executive Director

Save the Date!



ULI’s California District Councils invite you to the inaugural state-wide High-Speed Rail Transit-Oriented Development (TOD) Summit

Thursday September 23, 2010

Anaheim Convention Center

800 West Katella Ave

Anaheim, California

[\[map\]](#)

- Best Practices in TOD
- ULI Station Development Recommendations
- Workshops on TOD Financing, Policy & Design
- Development Opportunity Sites
- Public-Private Sector Networking

View Photos from past ULI San Francisco events on



Stay Connected

Join ULI San Francisco’s Online Community

Young Leaders Group Launches 2010 Mentor Program

By Scott Zengel, Bay Area Council and YLG communications co-chair



Mentor Chris Meany of Wilson Meany Sullivan (center) discusses his career path with young leaders Greg Christopher of Avant Housing (left) and John Simerlein of Bristol Group (right) at October's Learn From the Best.

As we all look back at the carnage of 2009, a glimmer of hope emerges in the form of a powerful District Council program: ULI San Francisco's Mentor Program. The inaugural 2009 mentor program brought together 20 Bay Area industry-leading mentors and 81 mentees for career counseling and relationship building. We are now preparing to launch our 2010 Mentor Program, incorporating lessons learned and best practices to improve the program.

The 2010 Mentor Program kicks off with a bang – with additional structure in place to make the experience even more valuable for both mentors and mentees. For the mentors - the administrative load of planning each meeting will be taken off of your shoulders and you will be provided a [list](#) of successful ways to organize and engage your group. For the mentees – members of your mentee group will be matched to maximize interaction with other young leaders with similar interests and experience.

The deadline for applications is April 9th – if you are interested in participating please visit our [website](#) for full details and to download an application or contact mentor program co-chairs [Craig Hamburg](#) and [Scott Zengel](#).



More YLG photos available on Facebook

Member Interview

A Designer's Perspective: Todd Kohli, Managing Principal, AECOM

By Paula Blasier, ULI National Director of UrbanPlan



Todd Kohli, Managing Principal of AECOM

Todd Kohli, is the Managing Principal of the San Francisco office of the Design + Planning practice of AECOM, the international design, planning and engineering firm. He is a member of the ULI San Francisco Executive Committee and co-chaired ULI's Young Leaders Group (YLG) before his advancing age "graduated" him from the YLG ranks.

Blasier: How did you become involved in ULI?

Kohli: About four years ago Joe Brown, Chief Executive of Planning, Design + Development at AECOM, introduced me to ULI and Jed Gates, founding chair of the YLG.

Blasier: Why did Joe point you toward ULI?

Kohli: Joe is deeply involved with ULI at the national level. Currently, he is the chair of ULI's Policy and Practice Committee. He told me that I would develop strong personal relationships with leaders in land use and development, that I would broaden my understanding of the entire development process, and that I could contribute to ULI's mission of providing leadership in the responsible use of land.

Blasier: That's a lot to live up to. What has your experience been?

Kohli: ULI San Francisco's YLG was a perfect introduction. They are an engaging group of young professionals in development, finance, planning and architecture who create many of their own programs in which you learn from and socialize with both your peers and experienced leaders in every sector of our industry. YLG members are also integrated into all of ULI San Francisco's committees.

Blasier: Has ULI broadened your understanding of the development process?

Kohli: Absolutely. At AECOM we work on complex projects of all scales, requiring multi-disciplinary teams. It's easy to focus on design concept and be frustrated by constraints that we see as impeding our "elegant solution." Through ULI, I have a better understanding of the challenges facing professionals on the market side of development and I've learned how to speak their language. I think that gives me more credibility with a client; they may give a sincere hearing to design ideas they might not otherwise have considered because they trust that I understand their perspective. AECOM and ULI are both working toward a development process in which the walls come down, perspectives broaden, and projects become more successful and sustainable because of it.

Blasier: What about Joe's other assertion that you can contribute to ULI's mission?

Kohli: I believe that you get out of ULI what you put in. I urge any young person joining ULI to fully engage. It's not just about going to a few programs. It's about a bigger commitment: learning and giving back. You develop trust, respect and close relationships with fellow members and design colleagues by doing this. It's being part of a business community, one that shares an important mission. My work is about designing greener and more human places. I bring my experience from the projects I have worked on to my ULI relationships. It's a meeting of perspectives, one that benefits the profession and the work that we do.

The Download: Program Updates from Around the Bay

Did you know that 50% of ULI San Francisco's members work outside of San Francisco? In fact, ULI San Francisco covers several major metropolitan areas under its umbrella, including 101 cities across the 7,000 square-mile, 9-county Bay Area. In recent years, thanks to the leadership of ULI members in the East and South Bay, the District Council is serving members with high quality programming from San Jose to Walnut Creek and beyond. Our East Bay and South Bay program co-chairs share successes from their regions.



Spotlight on the East Bay

By Sanjiv Bhandari, BKBC Architects, East Bay Programs co-chair

ULI San Francisco's East Bay Programs Committee hosted the first "East Bay My ULI Nite" in Oakland in December. Attended by over 90 members and potential members, the evening began with a panel discussion featuring prominent East Bay developers Bob Burke of Shea Properties, Eric Hohmann of Madison Marquette and Tomas Schoenberg of The Swig Company, and was followed by committee roundtable breakouts and a networking reception.

The New Year started with a bang for ULI East Bay with a brownbag on "Prefabs and Land Sharing: A Zero Sprawl Solution," held in Oakland in January. Kevin Casey and Evan Schwimmer of New Avenue Inc., presented a business model on how to add value by adding a second unit to any single family property in California.

In February, the Committee hosted two additional brownbags beginning with a forum on "Improving the Performance of Existing Buildings through Retrocommissioning," hosted in partnership with Berkeley's Center for the Built Environment. Later that month, ULI East Bay welcomed Walnut Creek Mayor Sue Rainey and Community Development Director Sandra Meyer for "Walnut Creek In-Fill Development Opportunities," highlighting



ULI members Joyce Ou and Steve Kuklin of Group I learn about some of the David Brower Center's sustainable features on top of the building's green roof.

both current and proposed infill development projects in Walnut Creek.

This month, ULI East Bay brought together a panel of Tri-Valley leaders including representatives from the Cities of Alameda, Dublin, Livermore and Pleasanton to address emerging development trends in this dynamic region. Stay tuned for monthly programming in the East Bay throughout 2010.



ULI members gather around a portion of Google's 9,200 solar panel installation.



Spotlight on the South Bay

By Bart Hutchins, Pacific National Bank and Michael Polentz, Manatt Phelps & Phillips, South Bay Programs co-chairs

ULI San Francisco's South Bay contingent has continued to surpass all expectations with its successful programming throughout the South Bay and the Peninsula. While the economy has created challenges for many, ULI South Bay has used its collaborative model of marrying the Young Leadership Group's energy and motivation with more senior members' experience and contacts to enhance ULI's position as a long term player in the South Bay community.

In August, ULI South Bay conducted an exclusive breakfast tour of the Google Campus, showcasing how Google measures its impact on the environment. ULI South Bay committee members took leading roles in planning the TOD Marketplace held in San Jose in September. With hundreds of people in attendance, this event connected city planners with independent, multi-disciplinary panels of the Bay Area's top for-profit and non-profit developers, economists, and designers. In December, the committee hosted a Peer-to-Peer Workshop on proforma analysis with John Simerlein of the Bristol Group, followed by a holiday networking event.

In January 2010, ULI hosted its first ever "South Bay My ULI Nite" in downtown San Jose with an outstanding panel including legacy ULI members John McNellis of McNellis Partners, Alfred Pace of Pacific Property Company and Mollie Ricker of Dostart Development Company.

Recently, ULI South Bay hosted a major event with CoreNet on "Trouble in the Real Estate Debt Markets" as well as a brown bag on tax credit financing. Looking forward, the committee will host a tour of the San Jose Urban Marketplace in addition to a major event on public-private partnerships with the VTA and BART.

For a list of upcoming East Bay and South Bay events please see our [events calendar](#).

For more information or to get involved, please contact our regional program co-chairs. **East Bay:** [Sanjiv Bhandari](#); **South Bay:** [Bart Hutchins](#) and [Michael Polentz](#).



More East Bay and South Bay photos available on Facebook

ULI SF Welcomes New Urban Plan Co-Chair

By Paula Blasier, ULI National Director of UrbanPlan



Lynette Dias is the new co-chair of ULI San Francisco's UrbanPlan. Dias is a founding principal of Urban Planning Partners in Oakland and has 20+ years of private sector planning experience. Urban Planning Partners provides land use policy and environmental planning and entitlement assistance services. ULI's national director of UrbanPlan, Paula Blaiser, sat down with Dias to discuss her commitment to the program.

ULI SF's new UrbanPlan co-chair Lynette Dias of Urban Planning Partners

Blasier: How did you become involved with UrbanPlan?

Dias: Former co-chair Margo Bradish recruited me 5 years ago. I started as a classroom volunteer and got hooked. So, I became a school "champion" for Berkeley High, and then a UrbanPlan committee member.

Blasier: Why hooked?

Dias: UrbanPlan is where enlightened self interest meets public good. I saw the power of this curriculum to improve the environment in which we work. Our voters, neighbors, colleagues, public officials, and community leaders need to know how market and non-market forces in our system clash and collaborate to determine what can be developed. UrbanPlan students create their own development scenarios. Not only do they get it, but they also experience

these forces as intrinsic to our system rather than "good vs. evil."

Blasier: So you're having fun and doing good. Why did you agree to become co-chair and spoil it all?

Dias: Hah! Because UrbanPlan is a martyr-free zone. Our Executive Committee has a long-standing commitment to the human and financial resources required – including UP staff. The UrbanPlan committee has clear roles and responsibilities. We can focus on optimizing our resources while growing the program, and improving student, teacher, professor and volunteer outcomes. It calls on the many of the skills I use in my professional life: selecting the right data to analyze, establishing the right feedback loops, problem solving, and project management.

For more information on UrbanPlan, please see our [website](#).

Sponsors continued from page 1

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A warm welcome to

NEW MEMBERS

Who Joined December 1, 2009 – February 28, 2009



This coupon entitles the holder to **ONE COMPLIMENTARY ADMISSION** to any **ULI San Francisco event.***

*Surrender coupon at the event of your choice. One coupon per ULI Member only. Valid through June 30, 2010.

Sustainability Committee Focuses on Collaboration

By James W. Andrew, Buchalter Nemer and Charles A. Long, Charles A. Long Associates, ULI San Francisco Sustainability Committee co-chairs

ULI San Francisco's Sustainability Committee, a subcommittee of the Policy & Practice Committee, has hit the ground running since convening last year. Key to our focus is outreach to regional agencies and local jurisdictions in discussing how ULI can provide information to public officials about the economics and challenges of mixed-use infill development. Our objective is to bring what ULI does best—research, financial and market perspectives—to evolving regional and local land use planning efforts.

We are starting a regular dialogue with regional agency staff as they develop the Bay Area's Sustainable Community Strategy (SCS), a macro land use plan, as required under Senate Bill 375. Our aim is to ensure the SCS reflects what ULI members believe the market will demand in coming years.

In partnership with the League of Cities and in coordination with other California District Councils, we hope to host a series of workshops for city officials and staff around the state to discuss the tools for overcoming the economic and regulatory challenges to mixed-use and infill development.

In addition to our outreach efforts, we continue to provide informational programs to our membership, including our upcoming panel on May 20th celebrating the best practices in sustainable Bay Area projects. In the meantime, we encourage you to visit our sustainability [website](#) for an evolving collection of resources and best practice case studies reflecting ULI San Francisco's sustainability principals.



ULI San Francisco Sustainability Committee members Cheryl O'Connor of the Home Builders Association (left) and Stephanie Reyes of Greenbelt Alliance discuss the challenges to implementing sustainable policies at the local level.

More photos available on Facebook