Baker Program's Inaugural Domestic Trip to San Francisco and Silicon Valley

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Baker Program's Inaugural Domestic Trip to San Francisco and Silicon Valley

Abstract
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Keywords
Cornell, real estate, San Francisco, student, mission street, design, Silicon Valley, tech, technology, office, office space, mixed-use, development

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“Walking through the 4-acre 5M site, I was amazed by the vision of an urban mixed-use development consisting of open public place, affordable housing, market-rate housing, traditional office buildings, co-working space, and retail space. It was definitely a unique experience to see firsthand the zoning, planning and development process we’ve read about in our textbooks.”

-Yang Yang, Baker ‘17

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In late January, first-year students in the Baker Program in Real Estate attended the first annual domestic real estate trek as part of the program’s newly revised curriculum. For this inaugural trip, students visited San Francisco and Silicon Valley, two of the nation’s most active real estate markets.

Over the course of the past decade, few cities have come close to experiencing the booming commercial real estate activity that has been witnessed in San Francisco. The city’s thriving tech economy has caused valuations and rents to skyrocket, and construction cranes to dot the skyline. Nowhere has this activity been more concentrated than in the area south of Market Street (known by the locals as SoMa). In an effort to help Baker Program students grasp just how much this area is changing, the 2016 trek began with a walk down Mission Street.

The first stop of the day was Gensler’s design studio located at 2 Harrison Street, an historic landmark building that was once home to Hills Bros. Coffee. Students enjoyed a presentation by Gensler architect Ben Tranel, who spoke on the evolution of SoMa as driven by the increased demand from tech companies. Central to Tranel’s message was an argument that traditional offices are dying out, and more and more companies are demanding creative office environments that blur the lines between work life and home life. Tranel could not have chosen a more appropriate setting for his presentation, a former coffee roasting plant previously on the edge of development, now a cutting edge workplace at the epicenter of the creative office revolution. Students were treated to a tour of Gensler’s office space where they witnessed firsthand an inspiring creative office environment, adapted for reuse from a truly magnificent historic building.

Baker students then journeyed down Mission Street, encountering a beehive of construction activity. Mission Street, which was named for the Spanish Mission founded in 1776, has in recent years become the location of choice for the tech industry’s creative office movement. Observant students were able to catch a glimpse of steel just beginning to rise at the future home of the Salesforce Tower. Once completed, this tower will be the tallest building west of the Mississippi, and will be anchored by the tech giant Salesforce.

Students next stopped at the office of the San Francisco Bay Area Planning and Urban Research Association (SPUR), a non-profit research and advocacy organization. SPUR’s mission is to promote beneficial urban planning and governance in the Bay Area. Students were privileged to meet with Benjamin Grant, an Urban Design Policy Director working for the organization. Grant addressed several of the major planning issues facing the city and region, with an emphasis on how San Francisco can best cope with the housing affordability crisis. It was enlightening for students to get an insider’s perspective on some of the issues and practices that have made San Francisco the thriving urban environment that it is today, and what it needs to do to maintain its vibrant and eclectic nature.

Continuing down Mission Street, Baker students visited the San Francisco Chronicle building, future home of the 5M Project, a mixed-use development led by Forest City. Students were given a tour of the 4-acre property by Andy Wang, a Forest City Development Associate. When completed, the site will contain three new towers, and will add much-needed apartments, condos, and office space to a severely supply-constrained submarket. The site will also contain nearly 50,000 square feet of open public space. Wang spoke of the specific challenges facing the site, including a current lawsuit and backlash from the community arising from fears of gentrification and displacement. Drawing upon principles they had studied in their first semester of the Baker Program, students were better able to comprehend the tenacity and endurance required by a developer during these early phases of such a transformational and controversial development project.

Walking down Mission Street, students of the Baker Program were given a unique opportunity to experience the history of urban development in San Francisco. The dynamic nature of a city in transition was evidenced from a coffee plant adapted for creative use, in addition to new mixed-use construction that will forever alter the landscape of the city. Students experienced in real-time the vitality that such progress can bring to a city, while also being exposed to the difficult realities of affordability and gentrification that follow such dramatic urban expansion. Within just a few city blocks, and free from the constraints of a classroom setting, Baker students gained invaluable insights that will dramatically enrich the rest of their educational experience at Cornell.
San Francisco’s commercial real estate sector has been booming over the past decade. With a rapidly-changing skyline representative of the electronic age, San Francisco was the perfect setting for students to have the opportunity to see how both technology and Bay Area companies will continue to influence commercial office space going forward.

On the 52nd floor of 555 California Street, the highest floor plate in San Francisco, students met with Meade Boutwell of CBRE to gain an exclusive tour of Finnish gaming company Supercell’s office. Although known for fun smart phone games such as Clash of Clans and Boom Beach, Supercell resides in a design-forward workspace. Their current space was originally a private club and restaurant, and the whole building was leased to financial firms like Bank of America. The space is currently leased to the gaming company, with only 25 employees. It took a lot of convincing for Vornado to agree to lease to a relatively small technology company, but once they saw the revenue stream coming into the company from Apple Store sales, it was clear that this company had legitimate long-term viability.

This initial space provided the tone that the future of workspace represents cooperation and limited hierarchy. The next morning, students were greeted, instructed and given a tour by Ben Tranel of Gensler. During the informative discussion, Ben detailed that the majority of construction completed for technology companies occurs through speculation. The workspaces must provide hyper-collaborative and shared space, increasing the human density per floor plan and also the building performance efficiency. These themes are believed to be the future of workspaces moving forward, and the Bay Area is one of the key incubators for building and leasing this type of space. Upon arriving at the campus of Facebook in Menlo Park, CA (former home to technology forerunner Sun Microsystems), students confirmed the theories of the changing workspace based on technology companies.

The amenity menu available to employees resembles that of an ultra-luxury multifamily asset. Facebook tries to have everything on site that will keep their workers motivated. This includes many restaurants, a bike shop, and dessert bar. Upon reaching Hacker Square, located at the center of the original campus and in which a pirate flag flies to designate the counter culture, the students were educated about the idea of hacking.

**Facebook believes hacking involves building something new.** On predetermined nights, employees will collaborate to invent and innovate during their self-hosted Hack-A-Thon events. The night is not complete until a new idea or product has been formed. Moving on from Hacker Square, the tour of the new Frank Gehry building began. The space resembles a factory, and was designed and built as one big room. The list of amenities was apparent when students saw vending machines dispensing computer parts, a clear example that Facebook will do all that is necessary to keep employees supplied with everything they need.

“**I realized how great, successful technology companies value creativity within commercial real estate. Here, money is not an issue; the issue is that all of the technology companies want to have their own uniquely-designed spaces. All of these companies aim to create a comfortable space for their employees to boost the productivity.... The new office building of Facebook, which is designed by Frank Gehry, known for his creative designs, shows again how important it is for tech companies to create a comfortable work environment.**”

- Amin Elahy, Baker ‘17

**II: Tech’s Real Estate Impact**

“One thing that turned my mind around completely is the fact that Supercell, a company that makes smartphone games like Hay Day, occupies the most prime real estate spaces in San Francisco. And their office space was huge! Every working station was the same size as that of a Wall Street investment banker.”

- Adrian Martinez, Baker ‘17
The Related Companies are known for some of the most ambitious mixed-use projects in the world. Related California partner Matt Witte has been responsible for several ambitious projects. One of the highlights for Baker Students on their first annual trip was the exclusive chance to meet with Witte at 1 Front Street, in the offices of SOM (Skidmore, Owings and Merrill) to discuss some of Related California’s recent developments.

Witte spoke of a number of projects, including 1500 Mission Street, an urban mixed-use development east of San Francisco. The site, which formerly housed a Goodwill store complete with a receiving area and warehouse, was part of a development slated to be occupied by the City of San Francisco. Students heard a first-hand account from Witte himself, as he discussed the intricacies of completing a mixed-use development on the edge of San Francisco.

Aspects of the development process such as permitting, parking, and aerodynamic requirements were all topics of discussion. The architects of the project, SOM, also gave insight into the design. They noted how attention to certain details, such as large glass walls for the city offices meant to symbolize the City of San Francisco’s transparency, were helpful in securing support for their design.

This level of detail was further demonstrated in a Q&A session with Witte, as students were able to hear about a number of Related California’s projects. Witte took the time to answer questions and initiated a lively discussion on the state of the San Francisco Real Estate Market. He also discussed Related California’s massive Santa Clara project, which students would visit the following day.

The next day, students took a bus from San Francisco to the Santa Clara police station to begin the tour. The Related Santa Clara project, known as City Place, sits on a massive 239-acre parcel, located next to the new Levi’s Stadium, home of the San Francisco 49ers. The City Place development is expected to house 9.2 million square feet of mixed-use space, including retail, office, and residential.

At the Santa Clara police station, students were greeted by Related Consultant Art May, and the Assistant City Manager for Santa Clara, Ruth Shikada. Ruth discussed how the project was a slam dunk for the city because it is currently losing money on the former dump site. May showed students how the 240-acre development was going to be built on top of a landfill, creating some profound challenges for his client, the Related Companies.

Many of the students were surprised by this. First-year Baker student Tej Reddy shared this sentiment, saying “It’s an incredible project when you think about the massive undertaking that they will need to complete before they even begin the actual development of buildings.” The size and scope of this project creates many complexities, but also has tremendous potential.

Students were eager to explore the different aspects of the deal and discuss the projects complexities at length throughout a Q&A session with our hosts. Students learned about the 650-million-dollar raised platform that Related intends to build across the entire site. The platform will consist of double layered slab, built on pylons drilled through the garbage, and serves to protect the development from the natural settling of the landfill over time. Of particular interest was the agreement between Related and the City regarding the original RFP for the site. Related bid on the project and won, but the deal is still dependent on tax benefits from the city, which are still under negotiation.

Once the Q&A session was done, students traveled through the development on our way to eat lunch at Levi Stadium. May took questions during the drive through the site, pointing out where different assets would be positioned, as students looked on in amazement at the immensity of the project. For reference, an entire 18-hole golf course will cover part of the 239-acre landfill.

This exclusive experience was a treat for everyone. The students of the Baker program are lucky to have had such inviting hosts who were ready to share their knowledge and expertise. Related California provided incredible experiences for all involved, and served to make the first annual domestic Baker trip a resounding success.