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COMMERCIAL REAL ESTATE

New OCLI campus owner jells multitenant reconfiguration plan

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BY JEFF QUACKENBUSH
STAFF REPORTER

SANTA ROSA – Originally Optical Coating Laboratory and now JDS Uniphase has had its 64-acre campus in the southwest part of this city to itself, but that will change as an East Coast corporate real estate turnaround artist gets to work on the recently acquired property, the firm's first in California.

Wayne, Penn.-based Patriot Equities plans to open up about 300,000 square feet of vacant or undeveloped light-industrial, warehouse and office space on the campus for lease or sale, according to President and CEO Eric Kolar.

To do so, the firm is drawing on its experience with repositioning its \$150 million portfolio of corporate property nationwide. Mr. Kolar and three others started Patriot Equities in November 2005 to capitalize on a growing trend of corporations wanting to trade underused facilities for capital.

"It's almost a poster child type of the assets we buy," Mr. Kolar said of the Santa Rosa campus.

In late August, Milpitas-based JDS sold the 44 developed acres of its Santa Rosa campus on Northpoint Parkway to Patriot for a price of \$30 million to \$40 million. The deal included 550,000 square feet in a dozen buildings plus a pad and steel for a 57,000-square-foot three-story office building.

JDS then signed a 10-year lease for 230,000 square feet in four of the buildings for its 650 employees in the Santa Rosa-based Advanced Optical Technologies division.

JDS retained the 20 acres of vacant land OCLI acquired as a buffer between the campus and surrounding homes.

Mr. Kolar pointed to a recent property turnaround in Orlando, Fla., that could be similar to what is planned in Santa Rosa. Patriot Equities acquired Darden Restaurant Group's 10-building, 422,000-square-foot former headquarters and converted the mixture of office, flex, industrial, kitchen and data center space into an office complex called Patriot Pointe at Orlando.

Much of the work Patriot did in Orlando involved dividing larger buildings into smaller spaces, and that's what the firm plans to do in Santa Rosa, according to Mr. Kolar. Three-quarters of Patriot's properties are reconfigured to allow multiple tenants to buy or lease space.

Fortunately, OCLI took care of many of the property-line changes and electricity distribution needed to do so when the campus master plan was created in the early 1990s. The property is mapped with a half-dozen parcels already, and Patriot is considering applying for more to allow for whole or portions of buildings to be sold. The company prefers to hold property long term, Mr. Kolar noted.

"It is one of the few substantial projects in Sonoma County that can accommodate a campus user or multiple industrial users for lease or to purchase buildings," said Paul Schwartz, a Colliers International commercial real estate broker who represented a suitor for the property.

The mid-year vacancy rate for industrial space in Santa Rosa is 10.4 percent, down significantly from 12.5 percent in mid-2006, according to commercial real estate brokerage Keegan & Coppin. The office market in the city also tightened in that period to 11.9 percent from 13.4 percent.

One of the more expensive parts of dividing single-tenant campuses for multiple tenants is having enough electrical power coming to the property and adding transmission lines, according to Mr. Kolar. However, OCLI installed a massive 20-megawatt substation, so now Patriot will just have to bring in a utility company to redistribute the power so that JDS can retain its 20 percent discount on electricity rates for having the substation.

Other work needed to accommodate multiple tenants will be the addition of driveways or cul de sacs and building entrances.

Patriot uses CB Richard Ellis for property management and hired Winzler & Kelly of Santa Rosa for civil engineering. The firm brought in Michael Filtnier and Kevin Doran of Keegan & Coppin to market the space for lease or sale. Al Coppin, president of Keegan & Coppin, advised OCLI on the campus master plan.

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