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**CONSTRUCTION UPDATE**

## Ex-JDS buildings reconfigured

**OWNER PATRIOT CONVERTING SPACE TO MEET THE NEEDS OF WAREHOUSE, OTHER USES**

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**BY JEFF QUACKENBUSH**  
**STAFF REPORTER**

SANTA ROSA – The new owner of 44 acres of the JDS Uniphase campus in southwest Santa Rosa is converting half of the 12 buildings on the property to warehouse space and trading some leasable space for more valuable parking to better meet market demand.

Wayne, Penn.-based commercial real estate turnaround specialist Patriot Equities early this month demolished one 12,500-square-foot building to add 130 parking spaces around the largest of the vacant buildings, 54,474-square-foot Building A, according to Keegan & Coppin/ONCOR International's Mike Flitner, who is marketing the campus with Kevin Doran.

"They are seeing more value in parking than in obsolete and small industrial space," Mr. Flitner said.

The demolition of Building 1 would increase the ratio of parking spaces to rentable space for Building A to 2.5 per 1,000 square feet and add landscaping along Giffen Avenue on the north side. Patriot also is planning to knock down the smallest of the 10 buildings, 9,500-square-foot Building 7, to achieve a similar goal.

A challenge local real estate experts have predicted Patriot would face in finding new tenants and buyers was the cost to remove specialized improvements installed for high-technology product development and manufacturing. It can also make it difficult for a prospective tenant or buyer to visualize the buildings as high-ceiling warehouses.

"Economically, it makes more sense to allow tenants or buyers to start from scratch or use a portion of the existing improvements," Mr. Flitner said. "The market is more for the industrial-type user than it is for dropped-ceiling office space."

Optical Coating Laboratory Inc., which JDS acquired in 2001, installed clean rooms for product development and manufacturing as well as piping for industrial chemicals inside the buildings and along catwalks between certain buildings. Constructing such laboratory and production space involved installing interior walls in several buildings and 14,000 square feet of mezzanine office space in Building A.

### **Space in 'warm shell' condition**

Patriot plans to pull out much of those improvements and offer the space in "warm shell" condition, removing interior walls and leaving light fixtures, restrooms and perhaps the heating and ventilation systems.

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Work removing the dropped ceilings began in December. More work is set to be done in coming months.

However, some office improvements such as interior walls and the mezzanine in Building A could be left for a tenant or buyer that wanted them at an industrial price, Mr. Flitner said. One proposal Patriot is considering is for a company wanting to occupy 18,000 square feet of warehouse and office space in Building A.

Another prospect is an investor-developer considering the purchase of buildings 4, 5 and 6, totaling 88,000 square feet. A third would like to acquire the nearly 21,000-square-foot Building 6 for company use.

Despite spending the money converting the campus to general warehouse and light-industrial uses, Patriot continues to offer space for 54 cents a square foot on a triple-net monthly rent basis and for sale for \$105 a square foot.

Patriot is pursuing the creation of separate parcels and a condominium map to allow user-buyers or investors to acquire individual buildings or smaller spaces for lease. Toward that goal, Patriot wants to create a parcel for Building A as well as whole-structure condominiums for buildings 2 through 6, the latter of which currently are on one parcel.

Patriot Equities, founded in 2005, has built its 8 million-square-foot portfolio of commercial properties in the U.S. and Canada on a growing trend of corporations wanting to trade underused facilities for capital. In late August, Patriot paid Milpitas-based JDS more than \$33.2 million, or about \$60 a square foot, for the 550,000-square-foot campus.

JDS leased back 280,000 square feet for the more than 600 employees in its Santa Rosa-based Advanced Optical Technologies division. JDS signed 10-year terms for 220,000 square feet in four buildings not being marketed for sale or lease. The company inked five-year leases for 60,400 square feet under five-year deals in all of Building 3, which is for sale as a leased investment, and parts of buildings 2 and 10.

As JDS reconfigures its security perimeter to encompass its current quarters, Patriot plans to remove the guard checkpoints at the west and east ends of Giffen Avenue and upgrade landscaping along the road through the campus.

San Leandro-based Vitton Construction is the general contractor for Patriot's current renovations. Winzler & Kelly of Santa Rosa is handling the civil engineering.

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