

San Rafael Corporate Center sale to Marin investors in the works

Jennifer Upshaw
Marin Independent Journal

Article Launched:07/13/2007 04:44:17 PM PDT

Seagate Properties, the San Rafael-based owner of Montecito Shopping Center, is poised to purchase the San Rafael Corporate Center.

Hines, a privately-owned, international real estate corporation based in Houston that is co-owner of the center, declined to comment on the pending sale, set to close escrow at the end of the month.

"We don't talk about deals until they close," Kim Jagger, head of communications, said in an e-mail.

In 2005 Hines and Sterling American Property in a joint venture purchased the 156,546-square-foot center, along with three other Bay Area properties, from Chicago-based Equity Office Properties, for a total of \$329 million.

The two-building corporate center - situated at the southeast edge of downtown on 15 acres bordered by Second Street, Lindero Street, Lincoln Avenue and Andersen Drive, has over the years struggled with high vacancy rates. In 2004, the buildings were just over 40 percent occupied.

But Seagate officials said they are so optimistic about prime office space, they plan to complete the original plans. Three buildings and two parking structures have yet to be built. Construction is expected to begin early next year.

"We think it's a great property," said Wick Polite, Seagate president and CEO. "It can do a lot for downtown San Rafael. We're going to build out the balance of the buildings and complete the project."

Used by Pacific Gas and Electric Co. from 1875 to 1960 as a coal gasification site and then as a corporation yard until 1965, the property was contaminated with coal tar residue. In 1985, state environmental officials placed restrictions on the site preventing child care, health care, senior care or residential development.

By 1990, PG&E had moved its operations off the site, leaving it vacant.

As recently as 1998, Fair Isaac planned to move into the office complex. But the company changed its mind shortly after construction began. Fair Isaac backed out of the project, citing out-of-state relocation plans, and put the entire project up for sale.

That year, city officials approved a development plan for a 406,000-square-foot center. Finished in 2001, the first phase of the campus-style development in San Rafael includes a one-acre public park attached to a bike path behind the property along Mahon Creek. The center also has three conference center facilities and two plazas available for public use.

Major tenants include Smith Barney Inc., Keller Williams and Countrywide Home Loans.

Seagate's approach will be on a multi-tenant speculative basis, officials said. The center is 70 to 80 percent occupied, Polite said. He said he believed a tight market for prime office space in Southern Marin was indicative of the future.

"We think there's a great opportunity with the demand in the market compared with the supply," Polite said. "I think real estate, like anything else, it's cyclical in nature. With the health of the general economy we think the demand will be there."

City officials said they are pleased the project will be finished.

"We are very excited about the opportunity to work with the Seagate group," City Manager Ken Nordhoff said. "They have been in our community doing various developments for a long time. They've done so with great professionalism and care. I'd expect they'd treat this project the same way."

Neighborhood leaders applauded the news.

"I think it's a beautiful building," said Steve Patterson, chair of the Federation of San Rafael Neighborhoods, the neighborhood activist group that represents homeowners associations and residents south of Puerto Suello Hill.

"It will be a fairly dense development," he said. "I think as long as everything about what they do is consistent with what's there, I suspect it's a good thing."

Read more San Rafael stories at the IJ's [San Rafael](#) page.

Contact Jennifer Upshaw via e-mail at jupshaw@marinij.com

Close Window

Send To Printer