



**FOR THE EXCLUSIVE USE OF BILL@BSM-
GROUP.COM**

From the Silicon Valley Business Journal:

<http://www.bizjournals.com/sanjose/news/2016/03/10/former-cisco-site-in-coyote-valley-finally-sells.html>

Former Cisco site in Coyote Valley finally sells, as south San Jose action ramps up

👉 **SUBSCRIBER CONTENT:**

Mar 10, 2016, 3:02pm PST **Updated: Mar 10, 2016, 3:30pm PST**

A massive swath of land in San Jose's Coyote Valley that was once slated for a Cisco Systems corporate campus has changed hands, putting it back in control of a local owner and developer.

San Jose's Brandenburg family — who head up development firm Brandenburg Properties — has acquired a 570-acre site at Monterey Road and Bailey Avenue, representatives confirmed on Thursday. A source with knowledge of the deal pegged the price at \$15 million. I first reported the transaction was in the



The 570 acres acquired by Brandenburg is marked on this map, but some clarification is in order. The site marked "NAP" (not a part) is owned by the Sobrato Organization and was not part of the deal. Brandenburg acquired the land outlined in red facing Monterey Road. It also acquired the property shaded green in this map primarily on the west side of Santa Teresa Boulevard, which is

works last month; it closed on Wednesday.

identified in marketing materials as a flood control basin. The "notch" on Monterey Road that is not outlined in red is where Panatoni is proposing a new distribution center.

While not huge by dollar amount given frothy Silicon Valley standards, the deal represents the most significant land transaction in south San Jose in years and sets up intriguing possibilities for the future of the area, which environmental groups consider important to wildlife.

The land is part of the 1,444-acre North Coyote Valley Industrial Park boundary and is zoned for commercial/industrial use. In a statement, Eric Brandenburg, partner with Brandenburg Properties, called it "an opportunity unlike any other in the entire Bay Area — suitable for corporate headquarters and other businesses whose employees can take advantage of a reverse commute all adjacent to an interchange with U.S. Highway 101."

He said the company was "anxious to work with city officials and the community to bring forward thoughtful, well-planned, well-executed jobs-producing growth smartly balanced with our environment."

Join the conversation: Follow @SVbizjournal on Twitter, "Like" us on Facebook and sign up for our free email newsletters.

Coyote Valley milestone

It's the latest sign of percolating activity in south San Jose and the Coyote Valley area, which was once seen as a key growth opportunity in the city but stalled out for a number of reasons — economic and regulatory — in the mid-2000s.

Then last December, Panattoni Development Co. submitted plans for a 517,000-square-foot distribution center on 30 acres just off Blanchard Road at Monterey Highway. Gavilan College is also under construction

on a satellite campus that could grow to support 10,000 full-time students.

The 570-acre site just acquired represents one of the largest plays and comes with a deep backstory. In the 1990s, Cisco planned a 6.6 million-square-foot corporate campus project on the land that could have brought up to 20,000 workers. The deal with development partner DivcoWest fell apart in the early 2000s after Cisco changed course in its real estate strategy. (In the breakup with its former partners, Cisco acquired about 100 acres of developable land; it sold that land to the Sobrato Organization in 2012.)

Other visions for the former Cisco site never materialized. Interest from corporate tenants ceased as the economy went south, while the city worked to focus development in other areas, especially concentrating on North San Jose.

The land went back to the note holder, Gramercy Capital, in 2012, through a deed-in-lieu of foreclosure. Special servicer CW Capital acquired control in 2013. As most attention has focused on areas in downtown and North San Jose, the former Cisco site has long been forgotten and many observers had not tracked it since. The property was being marketed by Land Advisors.

Development possibilities

Still, it has significant attraction points: The zoning that allowed Cisco's enormous project remains in place; land for large-scale development is getting scarce in parts north; and south San Jose is famous for having a more bearable reverse commute for workers.

But officials say that the future of the area is probably more along the lines of industrial-focused uses such as distribution centers, manufacturing and R&D rather than high-end office.

"I think it will be more industrial-oriented, but I do think there could now or in the future be more R&D components," said Nanci Klein, deputy director of the city's office of economic development. She

noted that there's tremendous demand for for warehouse space in the South Bay with vacancy for modern distribution/warehouse hovering around 1 percent. "There's definitely a market," she said.

One thing it won't be: Housing, which is currently prohibited under the city's general plan in Coyote Valley. City officials want to hold the line on residential in Coyote, despite proposals that have percolated over the years to allow it. In the statement, Brandenburg carefully signaled its intentions were commercial, not residential.

"It's a good thing to put the land in control of developers who understand how to develop sensitive land, sensitively, and are committed to making sure that this is jobs land as already approved in the city's general plan," Klein said.

Deal makes sense for long-term holder

While it has holdings across the country, Brandenburg's roots in the city run deep. On its development resume: Cinnabar Hills Golf Course, Silver Creek Country Club, the Waterford neighborhood at Capitol Expressway at Highway 87, and San Juan Oaks golf club in Hollister. Brandenburg, Staedler & Moore, an affiliated company, owns 14 mobile home communities with about 3,500 spaces in the region.

The company is considered to have a long-term outlook and is happy to wait until the time is right to build. For instance, Brandenburg in 1998 bought 640 acres from Apple Computer in another pocket of Coyote Valley — land the tech giant had acquired in the 1980s for a new campus. Most of it remains raw land, though Brandenburg sold a small piece to Xilinx. (Part of the Apple site also went to Gavilan.)

William B. Baron, a partner with Brandenburg, told me that the marketing path for the site is undetermined at this time. "However, it is clear that this highly unique acreage has been off the radar for many years — and is now in local hands," he wrote in an email. "With proper exposure and favorable market conditions, over time — this site and the larger North Coyote Valley Industrial Park — will mature, as has

long been envisioned and planned, into a tremendous jobs-producing area for the city."

Any proposal, though, could face resistance from environmentalists, who consider this area to be crucial habitat land. Klein said one idea to help meet concerns is that projects in Coyote Valley could include wildlife corridors that reduce habitat fragmentation and support migration patterns.

"There are ways to work with developers for animal wildlife corridors that all make sense," Klein said.

Nathan Donato-Weinstein

Real Estate Reporter

Silicon Valley Business Journal

