

sustainable office construction, according to James Jenkins, president of GCI.

The contractor has seen the percentage of projects seeking the blessing of the Leadership in Environmental and Energy Design certification plummet this year, as cash-strapped tenants and landlords balk at any features that could increase costs. In 2008, GCI had \$91 million in revenue, 48 percent of which was for sustainable projects. In 2009, GCI is on track to do a projected \$50 million in projects. For the first half of 2009, about 25 percent of \$22 million in projects were sustainable.

The falloff in tenants doing sustainable projects is driven by the perception that it costs more. To counter this, GCI recently built its new 11,000-square-foot office to LEED specification for \$38 a square foot — less than the \$40 to \$50 a square foot most landlords are offering in tenant improvement allowances.

"We were running into potential projects and clients who said they would like to do something sustainable, but said '... If it costs more than my allowance, forget it,'" said Jenkins. "We wanted to show you could do something sustainable for equal to the allowance or less."

GCI's new space is in the CBS building at 825 Battery St. The contractor restored the old maple floors, rather than install carpeting. The reception desk was built from old wood flooring salvaged from the Esprit warehouse. Water-saving features resulted in a 35 percent savings. Showers were installed to encourage cycling. Almost all the furniture was reclaimed from the previous tenant, CBS MarketWatch, or from other offices. High-performance 36-watt fixtures cut lighting costs 45 percent.

The days of tenants leasing shell space and doing their own tenant improvements are long gone. In 2006 and 2007, it was common for build-outs to cost \$90 or \$100 a square foot. Jenkins said doing cheap LEED requires a shift in attitude and learning



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Jenkins says he wants to do sustainable projects "for as cheap as possible."

to reuse and recycle.

"I would love to do shell space and projects from demo through completion and do them as fancy as possible," said Jenkins. "But the reality is, that is not the market right now and that is not where the world is headed. I am interested in doing projects like this where you take over existing space and design (it) to meet the needs of the new tenant while practicing sustainability and getting it done for as cheap as possible."

Jenkins said 2010 may be slightly better in terms of major LEED projects. GCI has started pre-construction on a 65,000-square-foot LEED space at 275 Battery St. for the law firm Squire Sanders Dempsey. The contractor is also on the 370 Third St. team, which has been shorted-listed by the EPA for a new 350,000-square-foot headquarters.

David Hayes, president of Skyline Construction — another contractor that grew rapidly with high-end LEED build-outs in 2007 and 2008 — said the industry would continue to suffer from tenants choosing free rent rather than money to build out their office space.

"My biggest fear is that there is a pattern developing where tenants take free rent and keep space as is — I see that as a trend that is going to continue," said Hayes. "For now, it's all about cutting costs."

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Sellers owe balances after short sales

BY MARK CALVEY

San Francisco Business Times

Realtor Alejandro Lopez thought he had spared a client the pain of foreclosure when he recently got a short-sale offer on the client's San Bruno home.

The client was looking to sell the property in a short sale after severing three fingers in an accident while remodeling his house. Prudential California Realty's Lopez expected the short sale would bring in about \$170,000 less than the \$648,000 his client still owes on the first and second mortgages from Countrywide Home Loans that were used to buy the property in 2006.

Bank of America, which bought Countrywide in 2008, advised Lopez' client to pursue a short-sale when he sought a plan to cut his monthly payments. Lopez says he was stunned when BofA sought a note from his client, a former contractor who now delivers pizza and drives a truck for a fish company, to help make up the gap between the mortgage balances and the short-sale price.

The rising tide of "short sales" by troubled home owners facing foreclosure is prompting lenders to become more aggressive in their attempts to pursue former homeowners for their loan losses in a short sale. In a short sale, a house

is sold, with a lender's approval, for an amount that won't pay off the mortgages on the property.

Often, the troubled home owner assumes the loss will be eaten by the lender. But Bank of America and Chase have quietly added language in their short-sale agreements that require the borrower to sign a promissory note for the shortfall.

A spokesman for the American Bankers Association said this week that he wasn't aware of the practice, suggesting how little attention has been paid so far to collection of these notes from troubled borrowers.



Chau

"This is not a new policy to discourage short sales. In fact, we are improving our systems to shorten the short-sales process," said BofA spokeswoman Jumana Bauwens. "Many investors and mortgage insurance companies require that we seek a promissory note when we agree to allow the borrower to pursue a short sale."

Wells Fargo did not respond to

a request for comment on whether it requires similar promissory notes in short sales.

BofA says a borrower's income is considered in the process and that the promissory note is written at zero interest for terms of up to 10 years. Promissory notes aren't pursued in the case of a borrower's death or bankruptcy.

Still, those pursuing a short sale to avoid a painful foreclosure may be surprised to learn they still owe a big sum.

Arton Chau, president of the Home Buyers Alliance in Burlingame, said short sales have soared since the housing bubble burst, and the terms and procedures of such sales are rapidly evolving. He said some troubled borrowers would be better off going into foreclosure rather than pursue a short sale since the lender can't go after the shortfall in those cases, under California law.

Chau's three-person operation recently had to cut its workload in half, to about 50-60 cases, due to the complexity and cumbersome nature of negotiating with lenders on behalf of homeowners.

"From the lender's perspective, they have a huge portfolio of loans going bad," he said. "They're trying to stop the bleeding."

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