

Carl Shannon:

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Matt Slepín:

Hi, this is Matt Slepín and welcome to Leading Voices in Real Estate. Today's episode is a conversation with Larry Baer, the CEO of the San Francisco Giants and Carl Shannon, the Northern California and Pacific Northwest Senior Managing Director of Tishman Speyer. We recorded on September 28th and are releasing this episode on October 17th, right in the midst of mid-October baseball season.

Together the Giants and Tishman Speyer are building the Mission Rock Mixed Use Project, a new neighborhood adjacent to the Giants Oracle Park, a 28 acre development with 1.6 million square feet of office and retail, 1100 residential units and eight acres of public open space all on the waterfront in San Francisco. I've long been planning this conversation and of course we had to have it in October when baseball is on our minds, although unfortunately a year in which the Giants are not in the playoffs. It's interesting though, since not having the excitement of the playoffs, actually better allowed us to focus the conversation around the business and magic of baseball, which transcends winning and losing seasons.

So we got to focus on the business, the brand and reputation, fan loyalty and the customer experience, civic leadership, the stadium experience, technology innovations, and then of course our topic, the opportunities in the land surrounding the stadium. The conversation both from Larry and Carl interestingly echoed recent resonance themes on leading voices around opportunities, if I can use these words for corporate leadership, as responsible long-term owners and developers.

Mark Preston talked about the meaning of reputation with a long term perspective, in his case 340 year old Grosvenor, but it echoes Larry's comments about the Giants goals and reputation as a business actually founded 139 years ago in 1883 and Tishman Speyer, the youngest of the group, founded in 1978, 44 years ago, but one of the world's leading established real estate developers. These companies are going nowhere so long term thinking reputation and doing the right thing in development, balancing economic goals and necessity with do the right thing in the community is the of course approach.

Remember Mark Preston's comments on the last show about their recent investments in Grosvenor Square and then this week the Giants of Tishman takes a lead on both sustainability and a 40% commitment to affordability at Mission Rock. I look back myself over the work I've done through my own 44 year career. Yes, I win that 44 years is the number, but the hallmarks, which were unconscious guiding principles at the beginning but have been conscious for many years now, is again thinking long-term versus transactionally about relationships, reputation, and another driver for me which is learning and curiosity.

Those hallmarks are important for our clients and certainly important for us at ZRG as search professionals. You can get by being purely transactional, but you get no mastery, reputation or soul from that approach. That's similar in the business we discuss on the show. How do you get to be an awesome and beloved baseball team continually creating the magic defined by people coming to the ballpark, smiling, excited and happy and wearing the colors of the team year in and year out. And we're sticking with that transaction theme. The wins and losses are still the headline but only half of the story.

I say it every time, but this is an episode to share with your friends whether or not they're in real estate, especially this episode. And if they're in the business, share a few of your other favorite episodes. Please if you have not subscribed or follow us on your podcast app, too many people tell me they don't listen to the show if they don't see it on our e-blast, so subscribe. Feel free to send me a note about the show, guest suggestions or if you need help on your company's talent management needs to my email, which is msleping@zrgpartners.com. I hope that you enjoy the conversation with Larry and Carl. This was definitely one of my favorites.

So Carl and Larry, welcome to Leading Voices in Real Estate. The three of us are speaking live together today at the Giants Home Office at Oracle Park at 24 Willie Mays Plaza. I just love the name. It's September 28th. This podcast will be released during the baseball playoffs. Larry, I am sorry you're kind of putting your lip out there that you won't be in the playoffs this year, but there's a lot to talk about today.

We're going to talk about Mission Rock, we're going to talk about the city and real estate market of San Francisco, still in these times of Covid or post Covid and then the link between baseball, real estate and community. So lots to talk about today and let me have each of you introduce yourselves briefly and then we'll get into it so that our listeners know your voices because there's three of us here. Larry, you go first.

Larry Baer:

Okay, thank you Matt and it's great being with you and Carl on this podcast. So I am a native San Franciscan and I grew up here. I went to public schools here and then went to Berkeley undergraduate and grew up as a Giants fan. I'll get that out of the way. And I actually took the Muni railway with my dad out to watch games to watch Willie Mays Patrol Center field and Willie McCovey first base, et cetera, then, pursued actually...

I realized it wasn't going to be a great baseball player, but maybe I could do something behind the scenes. So I got involved in some broadcasting and then at Berkeley and then got involved in the TV business in San Francisco and then New York and then was involved in 1993 with the group that acquired the team and kept them in San Francisco. So that was 30 years ago and we are very proud to be partners with Tishman Speyer in having built the ballpark here at 24 Willie Mays Plaza.

We're very proud to have taken our development 2.0 from the Giants with a lot of expertise from Tishman Speyer because this one we couldn't do ourselves is building out the Mission Rock neighborhood, which was formally our parking lot. So we're doing that as well as running the baseball team. You're right, we're not going to be in the playoffs, but as CEO of the team, I'm sending actually a letter to our fans that will probably already be out by the time this podcast airs, talking about hope and belief that we can get back to the playoffs in 2023.

Matt Slepin:

Wonderful. And a couple of other quick questions before we go to Carl. First of all, you're living the dream. So you were a Giants fan as a kid, you did broadcasting in college, so this was what you wanted to do and now you're doing it.

Larry Baer:

It was. I didn't know if it would be necessarily a business-oriented job, but I did go get an MBA and I did sort of take to business. I was in TV radio. I realized at a very early age that probably my play by play broadcasting career peaked in my early twenties. And I realized that. But I did have a passion for the business end of sports.

And what I really like about it is, I mean, you want to win the World Series every year, that may not happen. But what you can control in the sports world or you can attempt to control is the environment around the park and the entertainment value you provide fans and the experience. Everything from cleanliness to food and concessions to the spirit in the community, the community service you do with the players and with the organization. And I really enjoy that and we've been doing that here for a while. And also I think that's set us up pretty well to work with Tishman Speyer and Carl to develop our project right across McCovey Cove.

Matt Slepín:

And you've mentioned Giant's 2.0 development because Giants 1.0 development shortly after you acquired the team, you built the stadium, which was one of the first downtown stadiums. Just talk about that briefly.

Larry Baer:

Right. And that was really the whole genesis of our group coming together because I don't know if you recall not, I'm sure some of the listeners may not recall, but in the previous ownership and in the previous incarnation of the Giants before our group, there were four measures to build a ballpark with public money.

One was 1987 here in San Francisco. Dianne Feinstein was mayor, it was proposition W and it was to build a ballpark at 7th and Townsend. That was defeated. Then in 1989, a measure to build the ballpark where we actually have it, it was a different design, but here at Third and King Street and that was narrowly defeated, narrowly defeated, right in the aftermath of the earthquake in 1989. Then two measures in the south base. So the previous owner, as might be understandable to everyone, there would be four attempts to build a park all with public subsidies.

So when our group came together, we didn't have a playbook on how to do it, but we knew we had to try to do it differently. So our approach was to do it privately and take out the public subsidy piece that was just not going to work in California or in San Francisco, but yet we did put it on the ballot because we didn't wanted to be very open about this is what we're doing. There were some height limits, some variances we needed to get on height and bulk and we were able to get... We needed 50%, we got about 67% of the vote. So that was a good outcome. We brought the team in '93 and that election was in early '96. So we did some homework for a while and then about three, four years later came on the ballot and then the ballpark opened in the year 2000. So we're at our 23rd year of the new ballpark. We'd like to think of it still as the new ballpark, even though it's-

Matt Slepín:

Feels new.

Larry Baer:

... more than two decades old.

Matt Slepín:

And it's interesting. Well Janet Marie Smith who built the first new ballpark at Camden Yards in Baltimore, which I watched go up cause I back in DC back then and I was at one of the last games at Morris Stadium. But this is just amazing. So Carl, let's turn to you. And so you lead Tishman Speyer here

in the Bay Area. Talk a bit about Tishman Speyer generally, yourself generally here. And then we're going to talk about Mission Rock.

Carl Shannon:

Sure, it's a great pleasure to be with you, Matt and Larry. I'm Carl Shannon and I run the Bay Area in the Pacific Northwest for Tishman Speyer. Tishman Speyer is a privately held real estate company founded by Bob Tishman and Jerry Speyer and run day to day by Rob Speyer. It's really, I think, the fantastic combination of an entrepreneurial spirit and a quick moving company, but with worldwide resources and a deep track record in development.

I came to California in 1993, must have been inspired by what Larry and the team were doing. I grew up on the east coast, spent time Boston, New York, Washington and London before coming to California. We've been here 30 years. My wife says I'm almost a Californian and I've spent 25 of those years with Tishman Speyer and we have really built a reputation for being part of the community here, for doing what we say we will do, for partnering with nonprofits and other community members and have built several major office buildings and several major residential buildings before coming to be the Giants partner four years ago.

It's an incredible partnership between us and the Giants. They are really a world class organization and we have, I think, both really strong but somewhat complimentary skill sets and it's worked incredibly well. And we're really focused on trying to create a new neighborhood at Mission Rock and something that is really genuinely San Francisco and an amazing commitment to making sure that this new community is inclusive to all in terms of the people who work on building the project, the people who work on designing the project, the people who will live in the project, the people who will operate retail spaces in the project, and incredible commitment to being at the forefront of sustainability.

From a black water treatment plant, really the first of its kind for a project of this scale in California, private project, a district energy plant that provides the heating and cooling for the entire complex, raising the site five feet for sea level rise, really trying to push the boundaries to make sure on each element of ESG that we are pushing this project to the forefront.

And even though it's a challenging time today in real estate, we are essentially finishing as we speak the Visa building where Visa's new world headquarters will be. They're tremendously excited to come to this project. We will open our first residential building, the Canyon, in the second quarter next year. And I think we're incredibly pumped about how many people are now moving back to San Francisco and how that project will be received. And we're working hard to get all of the retail tenants in place for when those buildings open. And surprisingly in a post pandemic world, we're having really good success in that regard.

Matt Slepkin:

Cool. Hey, I want to go back up a couple thousand feet and Larry start with you and go back to the ballpark that you built here, the vision that you had for the ballpark and the surrounding neighborhood, but also take it even higher than that, thinking about ballparks and ownership groups in baseball around the country because you're not alone in doing this kind of thing, which seems like it's not your business. So tell me why it is your business, how it's your business, what perspective you come to it with.

Larry Baer:

No it's a good question Matt, and it really goes back to kind of your roots, you talk about Baltimore. When we came in and it was Peter Magowan, I think it starts with the fact that we were a group of 18 civic-minded individuals. And the 18, we came together with the very last minute to avert the move of

the Giants, thwart the move to Florida. There was a purchase agreement signed, moving the Giants to Tampa. Tampa team didn't exist at the time.

So we had to come in and the obvious question that was cleared out to all concerned was, it wasn't going to work if you didn't get a ballpark built. So we went to school essentially, and when we were able to get a vote, a no vote from baseball owners... The deal was signed to move to Florida, we came in and we pledged to get a ballpark built with all deliberate speed. We did not know how.

And so that was 1993. So what we did was, myself, Peter Magowan, who was the managing partner at the time, and I was the number two person, and with this group of wonderful owners, kind of a who's who of business, very civic minded... It was names they'll be familiar too. People listening in. Charles Schwab, Don Fisher from Gap, Walter Shorenstein, the Shorenstein company, Richard Goldman, the Levi Strauss company, it was a wonderful group.

Nobody professed to know how to do a ballpark. And I say why this connects to you is, we went to sort of state of the art at the time, which was Camden Yards of Baltimore, which actually opened in 1993.

Matt Slepín:

Same time.

Larry Baer:

Jacobs Field, what was Jacobs Field in Cleveland and Coors field in Denver. Those three were inner city ballparks that were built with a retro feel, right? And married some of, what we felt, the old fashioned charm of baseball with modern technology like club levels and premiums areas, et cetera. So our kind of elevator line was, Camden yards meets Wrigley field is what the kind of ballpark we were going to create.

Matt Slepín:

And it's interesting, as you say that, and this probably happens in other cities and then we're going to get to Mission Rock, I'm just curious a perspective on it because you said the word civic mind and I think it's true that San Francisco needed the ball team here, couldn't lose the ball team even though there's one across the bay, you still need it. So civic fits this and continues to fit your perspective on this as much as money dollars, it's a business.

Larry Baer:

That's really sort of how we try to approach it. And I can't say enough about Peter Magowan and Walter Shorenstein and Chuck Schwab and that group because they live with their hearts. I mean that's really what it came down to. And I think sometimes we all see it in the business world. I know Rob Speyer and Carl navigating, Tishman do this all the time, is that sometimes you don't know the end point of financial outcome, but if you do things the right way and you connect with the community and connect with your consumer and that ultimately you'll be okay.

We didn't have a playbook and we knew building it privately was going to be challenging from a debt perspective. But we challenged... The group inside the Giants was amazing. Many of these people that Carl knew that we were able to forge relationships in the community with sponsors and with our fans and get to the point where we were able to out revenue the debt if you will, to get the ballpark up and running.

But it was no sure thing. There were a lot of people that thought that we'd end up selling the team and the team would be relocated. But there was a lot of inspiration that went into this from these other ballparks that were opening in the early nineties, the urban ballparks.

Matt Slepín:

And then take that to the area surrounding the ballpark. Why get into housing? Why get into office buildings? What's that mean to you?

Larry Baer:

Well, I think there are a couple of motivations and again, I think it came from a really good place. And again, the DNA of our group, we're now at about 30 investors, but they're all really of the same DNA, which is civic minded is a couple things...

One is, we're not going anywhere. We're the San Francisco Giants. We're in a 66 year lease with a 23 year extension term. So we're going to be around for generations and we wanted to make sure that the front door, back door of our ballpark is great, right? Great for our fans, great for the environment and great for the operation of this franchise in the community. So to have a hand in that was important. The other thing is that we were sort of blessed in the first decade or so, or five to 10 years of the ballpark. We saw a growing community around us.

So we had UCSF already there and the Mission Bay campus was built out and then we saw technology. Really where the ballpark was, we became a technology hub where all sorts of companies are moving. The national economy, international economy were locating and is there a way to create a higher, better use for a 30 acre surface parking lot where we can do things that are of need for the community such as affordable housing, such as open space with parks. Do it the right way like Carl talked about with all the sustainable elements and, as Carl said, create a neighborhood by the park that can be San Francisco's newest neighborhood and something we could be proud of and could be a great compliment to the park.

So that was something we, five to 10 years into the operation of this park, so in the 2005 to 2010 period, we started thinking about and started a civic discussion about with the political leaders here.

Matt Slepín:

Cool. And Carl, you talked about some of the buildings, talk about the overall vision, the overall uses, how large acreage wise and how many buildings and all that stuff.

Carl Shannon:

Well it's a total of 12 buildings. It's 1,000,002 square feet of office, it's 1200 apartments, it's over 200,000 square feet of retail. It's over seven acres of public parks. And it's really truly, I mean this is all on port land. It is truly a public private partnership with the city and with the port. And it's about creating a dynamic 24-7 live, work, play environment with having jobs, having housing, having retail, having an environment where you'd want to bring your kids on a Saturday to enjoy the park, to enjoy the food and beverage, to be in the community.

It's a community with 40% affordable on the housing, which is really quite frankly unprecedented in San Francisco to see that level of affordability built into a project and that comes out of the public private partnership with the port and the civic mindedness that Larry talked about about the Giants ownership group. The commitment from the Giants at the very top of making sure that this was really a great community for San Francisco, it's highly aligned with their values and in the ownership group. So it's

really exciting to see this come to fruition and there's a very delicate balance of making all those pieces come together.

Matt Slepín:

I want to talk about the delicate balance and I'm curious about this and I'm curious about civic mindedness and we talk about it on Leading Voices all the time. And Carl, before we started today, I was talking about my podcast interview yesterday with Mark Preston from Grosvenor, the 240 year old real estate company and how they view this long term. But Tishman Speyer is a long term owner too, but you don't have that benefit of, "Hey, we're going to be here for 300 years." Maybe you will, but your goals are different because you have to be more bottom line oriented. So how do you balance that you're the doers and the bottom line orientation with what their promises are?

Carl Shannon:

I'm a big believer that if you create the right physical environment, the right community, that the economic returns will come out of that. And we are long term holders, we and the Giants want to be involved in Mission Rock through the development and we see that as a long term asset for us and for our investors. So yes, we're economically motivated, but the driving force is to create the right environment because if you create the right environment that people like and enjoy and want to be in, the economic success will come out of that.

Matt Slepín:

It's interesting, again, it came up when the conversation yesterday with Grosvenor because we were talking about Grosvenor Square and putting investments into the square, which is seemingly a public service, but of course that public service totally benefits the surrounding neighborhood which is owned.

Carl Shannon:

Correct.

Matt Slepín:

And light self-interest works all the time.

Carl Shannon:

Well, and Larry I think is somewhat modest about the transformation that this ballpark had on SoMa and the southern part of San Francisco. I mean as a sort of student of how urban design and land economics work, the positive impact that this ballpark has had on this South of Market and Mission Bay for San Francisco is transformational.

Matt Slepín:

This was the anchor for Mission Bay to go.

Carl Shannon:

Yes. And this was the anchor for really all of the development South of Market, which we were benefiting on when we were building 555 Mission long before we came into partnership with Larry and the Giants. So I think it's their vision of the ownership group of what they were trying to accomplish has had incredible corollary payoffs for the city and the surrounding neighborhood.

Matt Slepín:

Let me ask a quick question about that to you Larry, and then we're going to come back to the project. But I'm curious about that. So many ballparks land in the sea of parking and when this ballpark landed, it was controversial in town because there wasn't going to be enough parking. Now we don't care about parking anymore it seems. So we passed that, but you didn't do the sea of parking. How much of the vision did you have that this would transform the neighborhood and that would be an urban environment?

Larry Baer:

Well, we tried to get smart again. One thing we didn't want to do was rush into a proposal without really doing the field trips frankly to urban models like Baltimore, Cleveland and Denver like we talked about. And so in performing that research, what we found was, I remember explicitly somebody at Coors field, when we went there said, "There's more risk building too much parking than not enough parking."

And we felt that we have some great group that Carl worked closely with Jack Bearer, Alfie Felder, Fran Weld led our development for a long time and it was our connective tissue to all parts of this development, Julian Panacose. And what we concluded back early on about parking, the group, as we did this research was that we have a real opportunity to get a high transit use and we were looking for if we could achieve a 50, 50 modal split. Meaning 50% of the people that are coming to a game or an event come in their own cars and 50% come some other way.

Doesn't mean they're just coming public transit. They could be walking downtown from the central business district. They could be on scooters. We have ferry service, we have commuter rail, we have light rail, BART. So all of those modes, we get to 50,50 and really promote that as a way to go that we could do less parking rather than more and less parking is still start with 2300 spaces.

And you'll probably ask, "What are you doing with Mission Rock now that you're building out your parking lot?" We're going to do a garage of approximately give or take that size and that garage may get scaled up or down as the world changes and autonomous vehicles emerge and ride share continues to grow, et cetera. So the parking approach... It was funny because I'll never forget there was a headline as we were doing the development in the San Francisco Chronicle, it was a columnist just did a piece saying, "Will this be the no park, park?"

Which wasn't the greatest marketing approach when we were selling season tickets a couple years before the ballpark was completed. But we again went out and made the case that through lots of ways to get here and your car is an option, but there are a lot of other options and actually the fun of going to a game and I kind of channeled a little bit of going with my dad on the municipal railway house to Candlestick, part of the fun of going to the game is when you walk out the door and you are wearing maybe a Giants jacket or something and you are taking a trip on a ferry or on a light rail or on a commuter rail up with a bunch of fans like you to the ballpark. That starts the experience.

Matt Slepín:

I wouldn't have channeled that for six. I came to a game a couple weeks ago as your guest and I went with Julian and we just had a blast, but I was early and so I stood outside Willie Mays and just watched the crowd and everyone was smiling and the team wasn't-

Larry Baer:

And it wasn't because we were headed to the World Series.

Matt Slepín:

Exactly. But the smiles were probably no less and I'm just curious about that. And it was people of all ages, all colors, all fitness levels. There were people in canes walking to the ballgame as well as young people jumping up and down. It was really moving.

Larry Baer:

That's what excites me personally about baseball especially because when you think about it, and I think this lends a baseball park to being part of a community and perhaps leading to ancillary development around a baseball park because it is a multi generational experience. People go with their parents and grandparents and grandchildren and that, number one.

Number two, when you think about it, I mean, there're more games than any sport. So you have the traffic, 80 and if we do a lot of non-baseball events, public and private events, so lights are on here up to 180 to 200 days a year on something. Some of them are smaller events but the other piece of it is baseball's played when during the summer and a lot of day games and it is a chance for people to reconnect. We've seen this really in bold relief coming out of the pandemic.

And so I think some of the smiling faces that you saw, Matt, were just people enjoying the experience win or lose. We want to win more than we lose, and so the happy moments I think for those of us that work here at the Giants are not just home runs that go into McCovey Cove but walking the upper deck and seeing mothers and daughters and fathers and sons and couples and date night and office colleagues hanging out and having smiles on their faces.

Matt Slepín:

It's funny I think of my dad and I think of my daughter. So I started baseball in Philly, going to the ballpark with my dad and then my daughter and I were here for the World Series. And so it's the same exact thing. Okay, let's change the subject.

Carl, back to business here. You're delivering this into Covid and so that changes the economics, changes the design, it changes the drivers of tenants. And I know you've been through a process with Visa because they doubled down on doing a new office building, delivering into what they knew was going to be a new world. Could you talk about that?

Larry Baer:

Sure. I mean Visa has been a fantastic partner and Al Kelly, I think from the first meeting we had with him in this building where we showed him what Mission Rock could be, understood that for Visa having a world class headquarters that he could recruit to was a huge plus for him. But Mission Rock is much more than Visa.

It is the residential building at the Canyon that we will welcome our first residence in the second quarter of next year. And having that be 40% affordable, those units will be really the only new market rate multifamily units started in San Francisco since the pandemic hit. And we're actually seeing now people coming back to San Francisco in significant numbers. And so we think that that will be a fantastic location.

Matt Slepín:

I want to come back to that one, but let's stick with Visa for a minute. And I'm thinking of the mindset of a world renowned company that came from a suburban office campus I think-

Carl Shannon:

They have a small presence in San Francisco and a large campus in Foster City and they were looking quite broadly at where they might put their headquarters going forward and were looking throughout the entire Bay area. And I think they saw that by being in this new neighborhood in San Francisco, they could have a flagship building that would be theirs, that would be branded Visa, that would be a great place for employees to work.

It is a spectacular place to entertain customers because there are large outdoor terraces in the upper floors of those buildings with fire pits and outdoor barbecues where honestly you could almost coach the teams in the game. I mean you can see the game very clearly from these terraces. It's an amazing environment for Visa for their own employees and for them to do entertaining of their customers. So-

Matt Slepín:

I'm thinking the badge on the building, it's next to the ballpark which has the badge on the building versus driving down the highway in Foster City and seeing a badge on the building. You're buying a package of amenities for your workers that you're getting 10 times your return on what you're bringing people into the office.

Carl Shannon:

Yes, and then Larry has already committed that in October next year they will be in the playoffs and they'll have great visibility on television when the Giants are in the playoffs.

Larry Baer:

Just one example of what Carl's talking about, which was just kicking around ideas because one of the great benefits of being associated with Visa is the collaboration ideas. So as you say, there's open spaces in the balconies in the buildings which are great. There's also a seven acre park that adjoins their building that we're still under construction.

And one of the ideas is Visa is very involved in the sports space in that they've been a long time Olympic sponsor, they're an NFL sponsor, they're a giant sponsor. And one of the ideas was, wouldn't it be a great launch say for, just as an example, Olympic athletes. For them to have a salute and a sendoff to wherever the Olympics are, Paris in 2024, wherever, from the park in the shadow of the Visa building, that kind of thing. So I think to Carl's point, Al and his executive team really thinking big about how you can create a signature for the company through real estate and through the environment where they work.

Carl Shannon:

And before the podcast we were talking a little bit about technology and baseball. I think when I came to the ball game a couple weeks ago, I couldn't use my American Express card or Visa was really easy to use but American Express was hard. Was that... That must have been a conscious-

Larry Baer:

They're been a long time partner and we have protocols, but they've been... And the relationship with them and the building is part of a long term relationship we've had with them. And I know Rob Speyer and Carl and their teams have had a long time relationship with Visa. So I'm sure you've covered this in your podcasts, relationships and trust are important-

Matt Slepín:

Huge.

Larry Baer:

... when you're putting together these kinds of deals.

Matt Slepín:

Yup. Carl come back to 40% affordable. How does that work? How do the numbers work and is it 40% all very low? Is there a range?

Carl Shannon:

It's a series of different income levels from 60% to 150% of AMI. It really comes out of the public private partnership with the port, right? By making the entire project be able to balance the economic engine of the office space with the residential space, with the retail, the Giants, even before we got involved, worked with the port to make sure that the project was able to support that 40% affordable as part of the project's commitment to the broader community. And so-

Matt Slepín:

Cause I'm curious, you said 60% to 150%, what are the gradations in that 40%? Because we are going to get a little geeky here, but it matters.

Carl Shannon:

The bulk of them are at 80%, 100% and 120%. There are some as high as 150%-

Larry Baer:

And workforce was an important component, which in San Francisco, this is not a news bulletin, it's not that easy to get 100% consensus on anything, right? But on this there was I think a across the board desire to address the lower percentages for sure of AMI but also to focus on workforce. So it's so important in the city for us to be able to retain the nurses and the teachers and the police and the fire to live in the city. So those higher ends of AMI, that's part of the affordable program, is going to, we believe, address the workforce housing as well.

Matt Slepín:

Thank you. It's huge because we talk all the time about this in the business we talk about in the podcast. People talk about affordable housing all the time. They're now beginning in the vernacular to talk about workforce housing and how to make a shallow subsidy work for people up to 120% or even 150% of median income matters equally, if that's the right word and for our industry and the health of our cities. So thank you for being there. Matters a lot.

Larry Baer:

It's incredibly important to creating the kind of community we want.

Matt Slepín:

Now let's broaden the lens a little bit to San Francisco and Carl, we were talking about this before our taping a few minutes ago. What's going on in downtown San Francisco? What's going on in downtown office? What's going on in the condo market? But let's stick with the office market first because that's

the most in transition part of the real estate business and you get to see it live in one of the hardest hit cities with card swipes and all that stuff.

Carl Shannon:

Sure. I mean there's no question that Covid in the pandemic was hard on San Francisco and hard on downtown. I do think it's important to see that the low point was 12 to 18 months ago and the city has begun very significant recovery. People are moving back to San Francisco. Apartment vacancies are now well below 5%. Class A apartment rents are now above pre Covid levels. The level of vitality and energy throughout the city in the neighborhoods, the outdoor restaurants and the parklets have made Fillmore Street and Union Street and 24th Street great, almost celebratory environments in the evenings.

The downtown CBD has done a lot to clean up downtown. More businesses are open in downtown. As an office building owner and building affordable housing, I personally have been back in the office really since June of 2020 and it's great to see the restaurants open again, to see the sandwich shops open again, to see the gyms open again. You now stand in line to get something at lunchtime.

So we're seeing a level of energy in downtown that is so much better than it was 18, 24 months ago. Clearly the whole world of how people use commercial office space is changing. And I think the pandemic in many ways accelerated some of those changes. But people are rethinking how they use space. It's very clear that the very best buildings are doing very well, right? If you have a great environment, great commitment to sustainability, great indoor air quality, great floor to ceiling heights, private outdoor space, great amenities and great transit, those buildings will do extraordinarily well.

Which is part of why Visa is committed to Mission Rock, part of why the activity in our life science design building B on Third Street is quite robust. It is why buildings like 1 Bush Street in downtown San Francisco is doing very well, but there is a rethinking of how people collaborate. And that does mean that some firms will shrink their office footprint.

At Tishman Speyer, we're trying really hard to work with our clients where they want to be. And that's a series of different endeavors. One is our commitment to ZO, which is our brand for tenant amenities. And that's everything from ice cream socials to chair massages, to dog walking services, to help arranging transit, to even help finding short term temporary staff. We want you as a tenant in our buildings to feel like you are in a hospitality environment and when we're there to help you with whatever requests you need.

The other is our studio, which is our brand of co-working. And what we've done is really, it's our answer to WeWork, but we are doing that as the owner of the building. And so when somebody comes and leases space from us, they have the ability to flex up or flex down because we have studio in the building. And that is a huge benefit to our customers when they think about signing a long term lease. They don't have to commit to as much space because they have the ability to flex up and flex down through our studio environment. And that's been huge with our larger customers around the globe.

Matt Slepín:

And let's talk about that kind of across the country. Cause I'm curious in the Bay area what that means and what it means elsewhere. And you and I talked about this earlier because my company was in co-working, which we loved, and the ability to have optionality, the ability to take a 100,000 square foot lease, not 150,000 for 10 years and then have the rest be optionality space that's good and clean and right there. What a blessing that is as well

Carl Shannon:

I mean, co-working fundamentally, we are providing for you all of the build out, all of the amenities, all of the food, all of the wifi, all of the connections, all of the things that as a small office tenant, were just a pain to get done. We are bundling those and providing those to you and you can take them at any scale that you want, over any duration that you want. And we're providing pricing that matches that in a way that quite frankly our customers are thrilled to have that flexibility. And so we're doing it in Mission Rock. We're doing it at 333 Bush was the first building we did in San Francisco. We've done it at 595 Market. We're looking at rolling it out at 520 Pike. It is an incredible benefit to the other tenants in the building.

Matt Slepín:

It's interesting, when you and I talked about this years ago when my company moved into co-working, I was scared about my hundred thousand dollars worth of furniture that I had to throw out. And my furniture was a ball and chain on my personal being as a small business. Getting rid of it was the most freeing thing I ever did and gave me the optionality to do other things. It was fascinating.

And we're going to change the subject, but talk about this across the country and how it does feel in San Francisco because from a key swipe standpoint, we're still the most challenged CBD in the country, I believe. But you see it-

Carl Shannon:

Well, one of the more challenged. I mean clearly in New York where the large financial institutions, Goldman Sachs and JP Morgan are, "Thou shalt come back to work," we are seeing higher badge swipes. But they're improving every week in San Francisco and they're in line in San Francisco, quite frankly with Boston and Los Angeles. And we continue to believe that by providing the combination of ZO and Studio, that we provide an environment where people will want to come back to work and then it's up to the employers to help build on that.

And I really fundamentally believe that the innovation industries which drive the Bay Area, those companies are incredibly healthy. Even with the market repricing of the last several months, Google, Apple are worth so much more than they were in February of 2020. They employ so many more people than they did in 2020. And those innovation industries, [inaudible 00:46:53] quite, quite frankly, more so than the banks on people collaborating and thinking together. So yes, it's a tough moment right now, but if you look out 10 years in San Francisco, I feel quite bullish about the industries that are driving San Francisco, the resilience of the city and the fact that people are moving back and that this remains fundamentally a fantastic place to live.

Matt Slepín:

One of the best cities.

Larry Baer:

And I couldn't agree with more with what Carl said. And I think just as to give you, maybe as a sort of exhibit A to what he's saying, and it's really true what we used to call the FAAMG companies, I guess with Facebook's now Meta the MAAMG companies maybe, but those companies have made pronouncements, right? Apple, it's three days a week and it's coming to the spaceship, et cetera.

But just give you an exhibit A, the Giants. Okay, so we are not a big technology company and we're not a Fortune 100 company, Fortune 500 company, but we do depend on entrepreneurial work. And so what was great is just we have our Wednesday executive committee meetings and they've been hybrid for a while. We had last week 100% in, and nobody really chose to do it hybrid because we're bouncing off ideas about 2023 planning. We're bouncing off Mission Rock updates, we're bouncing off what's team

going to look like, what we're doing and it's just people want to be together to do that. They want the body language, they want the eye contact, they want the... And I think that that is in this innovation economy and so much of it here in our world in Northern California, I just think it's going to continue to accelerate.

Matt Slepín:

Yes, it will. And people will still have the optionality Mondays or Fridays to be zooming in if they want to do it. So let's come back to the words that you said a while ago, Larry, about civic mindedness. And I want to think about San Francisco with civic mindedness and how the city is evolving towards maybe being more business friendly, being more downtown friendly and putting the infrastructure in for the basic services that may have been missing in our civic discussion over the past five years as the world looks at us. I'll let either of you take the subject.

Larry Baer:

Well, I think a couple of things. One is, and I'm proud of this, San Francisco has always been viewed as a very progressive city-

Matt Slepín:

Yes.

Larry Baer:

... a very tolerant city, a very welcoming city. And as a native, and actually though I lived on the east for parts of my career and graduate school, I very much am fourth generation, I very much embrace those values. But I think that there also was a period here where maybe everything got a little bit out of kilter and there were some fundamental questions about safety and some fundamental questions about education. And the importance of it and the two were not mutually exclusive. You can be a really progressive, welcoming, wonderful, tolerant city, but also the streets can be safe and the education can be of high quality in the public schools.

Matt Slepín:

Got to have both.

Larry Baer:

Got to have both. And so I think that it's all moving in the right direction. The business community, one of the things we're working on, there's a group called Advance SF, which is an outgrowth of Committee on Jobs, which was born back over 30 years ago actually by some of the initial charter investors in the Giants. But the Advance SF is focused on those quality of life issues and engaging businesses to not necessarily focus on tax treatment and all that, those are obviously material issues to business, but if you don't have the sort of quality of life working, the transportation networks and the safety on the streets and everything, the other pieces don't really come into play.

So this is businesses rallying to work with the civic leadership, work with the mayor's office, work with the supervisors, and it's going extremely well. And I think back to the project that Carl and I are working on, Mission Rock, we had a vote on Mission Rock in 2015 because there were height limits and various things and we got 73% of the vote and no electeds opposed it, right? Everybody, including 11 out of 11 supervisors.

So I think that kind of what we were talking about earlier, when you come from a good place, good things can happen. And I think that businesses now are rallying. Yes, some businesses have moved out, but some have moved in too. So the companies that are here are really want to be part of the civic discussion.

Matt Slepín:

I want to pull on a couple of threads on this and we're going to be wrapping up in a few minutes so I want to get to the last subjects here. But one thing is it feels like over the last 10 years before Covid we had party time and during party time, San Francisco was flying high and it felt so good while the civic problems were there and we were just ignoring them. And then you come into Covid, then the civic minded folks and the businesses that will be here on a long term basis then say, "Hey, wait a minute, we got to think about the basic infrastructure and let's take it seriously. Let's hold off on some of the party stuff."

Carl Shannon:

Yeah, I do think that city hall, certainly the mayor's office and even I think the majority of the board of supervisors now gets that we have turned a corner and we need the city to help bring San Francisco back. But again, the fundamentals here are strong.

Matt Slepín:

They're amazing.

Carl Shannon:

The economy is strong, this is an incredibly appealing place to live. And so I have every faith that the pieces will come into place. And I do think, I mean, we have a new district attorney, we have a new majority on the school board, we have several important supervisor elections in November. There is an increasing understanding that the progressive social goals of San Francisco have to come in concert with strong economy. And bringing those together I think will happen and is beginning to happen on transit. We want transit to work. I've been working hard now with city leaders to try and bringing express buses back to San Francisco and the head of the SFMTA and the mayor's office is engaged with us proactively on trying to make that happen.

Matt Slepín:

Cool. And so couple other subjects. You just said, and I'm pulling on the thread of the vote that you got in a referendum because what we always talk about in real estate is nimbyism, in which you can't get stuff done. And so coming from the right place sounds good, feels good. And I guess that's the whole answer, but how the heck did you do that? Because everything gets opposed. So is that it's the Giants, is it there's a magic behind it? Is it the promises you made?

Larry Baer:

Well I think you have to consider that I think there was an overall recognition that when, say take the Mission Rock project or the Ballpark project, that there was consideration for the greater good, meaning affordable housing was folded in and very clearly not an evasive thing that we'll do best efforts or whatever. It was-

Matt Slepín:

You compensated going in, you went in with the right foot.

Larry Baer:

We did and we had a real civic discussion here where we had the labor unions at the table, we had members of the board of supervisors at the table, we had political leadership on all sides and, I mean I think there was a lot of research done, so that when we came forward with a program, there weren't really built in opposition because it's kind of the art of compromise.

So with the open space, we had to have open space, we had to create a park. I mean, got 73% of the vote, 27% voted no. Okay. But the leadership was there because we did a lot of homework early on. And when I say we, it was the collective we from all parts of the community and not baseball fans necessarily. I mean as much as I like to think everybody's walking down the streets memorizing batting averages, that's not the case. So the people that may not benefit by the Giants but can benefit by having a park in their neighborhood or having an affordable housing option that might not be available otherwise.

Matt Slepín:

People so often go in asking for the sky and the moon knowing they're going to get the moon alone. But you went in for the moon, so you went in for what you knew as a defensible position.

Larry Baer:

We tried to do that. I mean I think we learned that the sponsor was very clear. The sponsor of this project in those days was the Giants. And we are not, even though some people think we're a public utility or whatever, and we not. We're privately held and we were really clear about that this is coming forward from the owners of the Giants, but we're also clear about who we are and it's the group that came together to keep the giants here. And so I think, there was, to use a word that's probably over used and it's not my favorite word, but transparency. It was pretty transparent.

Matt Slepín:

Yeah. So last question for you Larry, and then a wrap up question, but we've talked about the business of baseball through this conversation, we've kind of touched on it and we've touched on it in winning and losing seasons. So just any perspective on running a business enterprise like this that does have that competitive element that cycles through. And by the way, you've had enormous success, because during your leadership you've won the World Series three times, I think, so Mazel Tov but keep going.

Larry Baer:

Thank you. Yeah, I mean I think what we have to do here, and I try to work with all parts of the Giants is we have to have a growth mindset because sports, and this is a good thing, but sports is becoming a much bigger business. So there was a day, several decades ago maybe where you put the team on the field and you try to win and the crowds come or they don't. But that there's sort of a narrow band between how much money... It could be sustainable, break even, profitable, not profitable.

Now it's totally changed. If you don't have a growth mindset, you're competing with teams that are owned by very large interests and you are in a competitive landscape in our sport. So we're trying to grow the company and do some diversification. That wasn't really the motivation for Mission Rock, but Mission Rock will help some we're in the TV content business.

You've got teams that it's well known. The Boston Red Sox own a soccer team in Europe. One of the owners of the Dodgers just bought the Chelsea soccer team. So there's lots of different ways to do it. We

feel like our diversification, if you will, is just kind doubling down on our neighborhood. But we very much challenge everybody here to operate in a growth mindset and look at new ways to do business in our ballpark.

Matt Slepín:

Don't go too far. When I was at the game a couple weeks ago, the uniforms looked like cartoon uniforms instead of orange and black. And it didn't resonate with me.

Larry Baer:

We had a game last night and we do every Tuesday night. These are alternative uniforms. We do them just home Tuesday night. So let's see, there's about, I don't know, well 11 or 12 of them and they're called our City Connect uniforms. They're designed for somebody your age, my age, Carl's age, not to particularly like, but for the under 30 crowd to like them. And just a little quick fun fact, the Giants record in the City Connect I think for, because we've done now two years, something like 14 wins and four losses.

Matt Slepín:

I was going to ask that question. Do people win better when they look a certain way?

Larry Baer:

Just saying.

Matt Slepín:

Okay, I'll accept. Okay, last question on Leading Voices is always advice for a young person entering the real estate business. Carl, let's start with you.

Carl Shannon:

Look, I think it's a fantastic business and I think that if you care about the world in front of you and how that world is going to be and how it's going to interface with the climate, that being in the real estate business and help shaping great communities and great sustainable environments is a fantastic challenge for a young person. And so I think it's an incredibly energetic and important time to come into the real estate business.

Matt Slepín:

It's interesting, we talk about this on Leading Voices all the time of the impact in real estate. And if you're doing it the right way, it really matters. And these people want to come into climate change, in particular come into our business because you're going to have a really big impact.

Carl Shannon:

That's why I spend every Thursday night at Berkeley lecturing in the [inaudible 01:00:32] program.

Matt Slepín:

Wonderful. Larry?

Larry Baer:

Yeah, and I think that one of the things I've learned, because this is the way we got into real estate, is taking urban spaces, and I'm a urban gorilla, if you will, I grew up in a city, love cities, have really just lived in large cities and that came at real estate from a little different perspective from the business that we were running, which was media and entertainment. And have learned that being in the real estate world you can create magic. You really can create magic and dream big.

And in our case, we're paired up with a developer who knows exactly what they're doing and we have ideas. And I think those that are in businesses that may be connected to real estate can dream big. Affiliate with somebody that does this for a living and create magic. So for somebody that's thinking about doing it, doing real estate or real estate related, or businesses that have a real estate component, I think dreaming big is such a wonderful thing for a young person to... It's an inspiring way to live your life.

Matt Slepín:

It's really interesting hearing that from the CEO of the Giants, a sports team, and to see magic in real estate and dreaming big in real estate because people are dreaming big in sports. I got to do this, I got to do this. But it's in both spaces.

Larry Baer:

Well, and I think that now what we're finally coming out of the pandemic with all the challenges, it's that we're finding that people in our world want to come. There's so much indoor entertainment and home entertainment, but we're finding a bit of a reverse effect that people want to get out. And you have to have the spaces for them to do it. And that's why people in our business, I think naturally in the sports business, media business, are also going to be in the real estate business.

Matt Slepín:

Absolutely. Thank you. Hey guys, this was wonderful.

Carl Shannon:

Great.

Matt Slepín:

Thank you both very much.

Larry Baer:

Thanks so much, Matt.

Matt Slepín:

Thank you for listening into Leading Voices, and I hope that you enjoyed today's episode. I have a request. If you enjoyed the episode and found it to be valuable, please share it with a friend or two. If they're podcast wary, take their smartphone in your hand and subscribe for them and teach them to listen. You'll change their life. Seriously, thanks for listening and keep in touch. You know you can reach me at matt@terrasearchpartners.com. See you next time.