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Real Estate development at the forefront of Sunroad's enterprises

By **THOR KAMBAN BIBERMAN**, The Daily Transcript

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Whether it is developing 1 million square feet of office in Kearny Mesa, planning a 600-room hotel on Harbor Island or acquiring automobile dealerships, **Sunroad Enterprises** has a full dance card.

Last week, Sunroad broke ground on the first 300,000 square feet of its planned 1-million-square-foot Sunroad Centrum office development in the San Diego Spectrum master plan on the old General Dynamics site in Kearny Mesa.

Sunroad Centrum is being built on a 25-acre site fronting Highway 163 and Kearny Villa Road. The first phase will feature the tallest office building in Kearny Mesa -- a 12-story, Class A building (photo below).

Features will include an exercise gym with shower facilities, high-speed elevators and 1,350 parking spaces (a 4/1000 parking ratio). Completion is expected by June 2007.

The leasing will be handled by Mark Wayne, Dan Runyon and Eric Vann of **Burnham Real Estate**.

This building differs from most office projects in that it has gotten under way without having a sizable amount of pre-leasing. For example, lenders required the Broadway 655 project in downtown San Diego be about 50 percent pre-leased before construction could start. The DiamondView Terrace project in the Ballpark District was more than 30 percent pre-leased before it got under way last year.

"Doing it our way, the tenants don't have to wait for other tenants to come on board before they see the building started," said Rick Vann, Sunroad executive vice president. Vann said construction lender **Bank of America** was convinced because of projects the firm has in Mission Valley and University City.

The jewel of its University City projects is the 420,000-square-foot Sunroad Corporate Centre, where the developer has its corporate headquarters.

Sunroad also has developed numerous buildings in Mission Valley such as Sunroad Plaza III and Sunroad Plaza East over the course of several years. Both buildings have 226,000 square feet and were sold in 1997.

When asked about rapidly rising construction costs, Vann said general contractor **Swinerton Builders** has given the developer a contract with a guaranteed maximum cost. More than 2,300 tons of steel have been ordered at a cost of approximately \$6 million.

Vann said the remaining two buildings at Centrum will be 14 stories and 350,000 square feet, and 16 stories with 400,000 square feet. He said once the Centrum I is half pre-leased, construction will begin on Centrum II. The last building is expected to get under way whenever the second building is 50 percent pre-leased.

The Centrum complex will have two freestanding parking structures, a quad area, a park, more landscaping and water features. A small retail complex and a one-mile exercise trail are also planned. **Brian Paul & Associates** of San Diego is the project architect.

"We design and build for our portfolio to last for the next 60 years," Vann said.

Both Vann and Dan Feldman, also vice president and son of founder Aaron Feldman, said the Spectrum project (a **Lennar Partners** master plan) can showcase itself as a smart-growth model.

"All the elements are there. This is a fabulous location that has great market visibility and access," Vann said.

"The City of Villages concept figures heavily here," said Feldman. "There are going to be close to 2,000 housing units, and we hope that many of these residents will be able to walk to work."

Adjacent to its Sunroad Marina on Harbor Island, the developer is processing plans for a 600-room hotel at the site of the Island Prime Restaurant and the now-defunct Reuben E. Lee floating restaurant.

The first phase would feature the initial 400 rooms in a 26-story tower. A 12-story tower with the remaining 200 rooms could be developed later.

The project, which gained conceptual approval from the Board of Port Commissioners to begin the environmental processing earlier this year, has seen that work begin in earnest.

Designed by **WATG** of Orange County, Feldman said the "group business" style hotel will be 4 1/2 stars.

"We would like to create a man-made beach," said Vann before adding that a water taxi service would likely be added to the "dock and dine" service that already exists in the marina for the Island Prime Restaurant. The fate of the Reuben E. Lee, which is not a boat but a barge, remains unclear.

At the southern end of the county, Sunroad has at least three developments in the works in Otay Mesa.

Two of the developments are approximately 12 and 37 acres, and the third is east of the city of San Diego boundary and consists of roughly 125 acres.

Because of its proximity to the city, Vann said Sunroad will be permitted to connect a line from the 125 acres to the city's sewer system.

Otay Mesa has long been known as a largely pure industrial market, but Vann said the readily developable land is getting so scarce (and expensive) that pure industrial is no longer the highest and best use for at least the majority of the property. Some land that was still priced in the single digits a few years ago is priced in the low- to mid-teens per square foot on the mesa today.

While the Otay project would have some light industrial, it would have research and development space, a multifamily component and likely some retail.

"We're going through the entitlement process now," Vann said.

Sunroad also developed, manages and owns **Maderas Golf Club** in Poway.

Sunroad, which has the only **Toyota** (NYSE: TM) dealership in Tijuana, may be even better known for its automotive dealerships.

Sunroad will be adding a new Infiniti dealership in Kearny Mesa in April to a roster that already includes **Pacific Honda**, **Kearny Mesa Ford**, **Subaru** (OTC: SBUOF), **Kia** (OTC: KIMTF) and **Hyundai** (OTC: HYMLF) dealerships; **and a new Toyota** dealership that opened earlier this month on Main Street in Chula Vista.

Over the past 26 years, Sunroad Enterprises has developed more than 2 million square feet of Class A office space in San Diego County as well as commercial, resort, residential and automotive and retail projects throughout California, Colorado and Mexico.

Send your comments, thoughts or suggestions to thor.biberman@sddt.com