

# WORK+SPACE®

BUSINESS + REAL ESTATE + DESIGN + CULTURE + CONSTRUCTION



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**MARCH 2020 | ISSUE NO. 10**

# A Time for New Opportunities

The start of a new decade brings so many opportunities for individuals, teams and companies to reflect on big wins, learn from past challenges and plan to grow toward the future. In this March issue of Work+Space®, we focus on stories that encourage positive growth and new opportunities for businesses, from goal setting and the value of OKRs, to office design trends and, of course, company culture.

As an industry-leading tenant representation firm, we work hard to ensure that our clients always feel informed, confident and appreciated. From a business standpoint, you'll find articles that inform tenants across the nation about critical items to be aware of, from the deceptive practices of BOMA, to a new accounting standard that affects private companies beginning January 2021, and new energy codes.

We are extremely proud to showcase the stunning design of our latest office, Hughes Marino San Francisco, on page 7. We also feature other spaces we love across the country, along with an article from our Planning + Design team on the importance of office energy in hopes to inspire you in this new decade.

As I reflect on where our journey as a company has led us, I couldn't be more proud. As our team continues to grow, we have managed to deliver the same (if not higher!) level of excellence to our clients, while always having their best interests at heart, and that will never change.

We hope you enjoy our latest issue of Work+Space®, and truly hope it sparks some inspiration for you in the new decade. We look forward to working with you in the future.

**Jason Hughes**  
Chairman & CEO  
Hughes Marino

## WORK+SPACE®

A publication of Hughes Marino

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### About Hughes Marino

Hughes Marino is an award-winning commercial real estate firm that was founded on the belief that it is impossible to represent both tenants and landlords without a conflict of interest. Our team has been exclusively representing tenants and buyers for more than 30 years, delivering best-in-class service and unmatched expertise to companies across the nation.

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**HUGHES MARINO**

## ACHIEVABLE TIPS FOR BUILDING A CHAMPIONSHIP TEAM



# WITH Mike Robbins & Hughes Marino

BY SHAY HUGHES

Across several of our Hughes Marino offices, clients and members of our local communities joined us for an inspiring presentation with best-selling author Mike Robbins. Mike has been an integral part of our success since we first collaborated in 2011, and we are proud to have cultivated an award-winning culture ever since, from being named *Fortune Magazine's* #1 Best Workplace in the nation and the #1 Best Place to Work by regional business journals for several years. Mike's client list includes the who's who of successful organizations, including Google, Microsoft and countless other global companies, as well as some of the

most victorious professional sports teams in the nation. We were honored to have Mike join us and share insights on how to create a championship team and a thriving company culture.

Cultivating a unified, positive culture is something that Jason and I have always believed is vital to the health and success of any group—whether it be a business, team or family—and we've been committed to ensuring our team is happy and fulfilled in both their personal and professional lives since day one. Here are some key takeaways that Mike shared that we hope you find relevant and inspiring in your own circles of influence.



## Team Dynamics

When we think about team dynamics, we think of the chemistry different teams have with one another to get the job done. But what does it truly take to be a *championship* team? Whether you call it chemistry or culture, it's our relationships with one another that are the driving force of successful team dynamics. You have to get the culture and the relationships among the team right before anything else. A great question for leaders to ask themselves is, "What do you want your team to aspire to as they work together to achieve their goals?" When thinking about the best team experiences we've ever had, trust, commitment, loyalty, respect, empowerment and having one another's support usually are the first qualities that come to mind, and are all achievable if a company focuses on these dynamics with great intention.



**Shay Hughes**  
President & COO  
Hughes Marino

### Above the Line & Below the Line

Mike describes "above the line" items as being the mechanics of the team—whatever it takes to provide the best service or attain the greatest outcome—including the daily activities needed to keep everything running smoothly and to deliver as promised. He referred to below the line items as the true psychology of

the team and what *really* drives success. 80% of true success is below the line phenomena. When we spend most of our time working on the 20% above the line mechanics, how can leaders ensure that their team is also focused on the powerful 80% below the line? Jason and I strive to empower our teams to take ownership of our culture and focus on all that is below the line—even across offices from state to state. As we've grown, we make sure that we take the time to focus on this critical area to ensure everyone on our team feels nurtured, supported and aligned as we work together to reach our goals.

### Role vs. Job

Our *role* is what we do, from our day-to-day tasks, to the title we post on LinkedIn. But our *job* is to help the team succeed as a whole. In fact, one of our favorite HM-isms derives from Mike's teachings: "We each have a different role, but we all have the same job—to help the team win!" This reinforces the fact that while everyone might have specific and different roles within a company, everyone can (and should!) work together to achieve the same ultimate goal—to help the team win! This is a positive and powerful concept that should be reiterated to teams to encourage collaboration and teamwork!

### High Expectations & High Nurturance

This is one of my favorite concepts that Mike talks about, and we've experienced the power of this combination firsthand



with our team. Our second core value is "Deliver excellence in everything we do." That alone sets the bar high, as we truly expect excellence in literally everything we do, big or small. What allows us to accomplish this almost all the time is a very high level of nurturance among our team. Most people don't associate commercial real estate with nurturance, but it is absolutely vital to our ability to deliver excellence and sustain our constant striving for our own high expectations. Nurturing people is key to helping them achieve the greatest results possible. Similarly, nurturing relationships is key to building an amazing team.

### Authenticity

Authenticity isn't just about being true to yourself, but rather being real and transparent with yourself AND your team. Successful teams create an environment that removes self-righteousness and provides psychological safety, so people know they can be their authentic selves. The companies that create a safe environment for their team members have the greatest ability to thrive.

### Appreciation & Recognition

Appreciation and recognition may seem the same, but they are actually two very distinct and important functions in a successful team. While we can recognize someone for executing on a job well done, appreciation is about recognizing people's *value* versus what they do. More than anything else,

people want to feel valued in their roles. The simple practice of sincere appreciation is easy to achieve, and it has the potential to dramatically affect the outcome of success for any business leader, team member, or even an entire organization.

Jason and I have had the pleasure to watch each one of our amazing team members thrive and grow, and almost every moment of growth was nurtured and encouraged by appreciation. We believe that our team members are our most important asset and with this mindset, we have made our team's happiness and success one of our top priorities!

I know I speak for our team at Hughes Marino when I say that we appreciate everyone who joined us at the Mike Robbins events and we hope you enjoyed the inspiring messages Mike shared. We look forward to continuing to show our appreciation to our clients, teammates, friends, families and communities by continuing to deliver excellence in everything we do! □

**Shay Hughes** is president, COO and owner of Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Shay writes about business leadership and company culture on her blog, *Lead from Within*. Contact Shay at 1-844-662-6635 or [shay.hughes@hughesmarino.com](mailto:shay.hughes@hughesmarino.com) to learn more.

# THERE IS NO “T” IN BOMA

*The tenant wasn't invited to the party*

By David Marino

In the first line of the Building Owners and Managers Association (BOMA) website, they lay it out loud and clear for all to see—“BOMA International’s advocacy team is hard at work continuing to positively impact the commercial real estate industry and protect our members’ livelihood.” And this time, with the latest change to the commercial building measurement standards, they are delivering for their members in spades!

The most recent change to the BOMA standard of how commercial buildings are measured allows building owners to now count areas outside of their building as part of the rentable square footage that tenants pay rent on. Patios, balconies and rooftop terraces can now be included in the rentable square footage calculation of an office building, and landlords all over the United States are taking advantage of this opportunity to increase their building square footage, by as much as 10% in some cases we have seen.

So how can this happen, where the “industry standard” is changed so blatantly in favor of building owners? BOMA’s position during the time of this change was that, “If the tenant is taking advantage of it, the rationality is they should also now include it as part of the rentable square footage...” By that logic, what are landlords entitled to charge for next, the outside walking paths and surface parking lots? The views? The roof over your head? BOMA is the largest landlord trade organization in the country. How was this organization, comprised of building owners and managers, granted

the authority to dictate the rules that tenants are expected to live by? When BOMA leadership says, “let’s find a way to charge for it,” there is no balanced and reasonable person in the room to push back on bleeding out the tenant.

When developers build a commercial building, they are granted entitlements and they get building permits, and it is all based on the buildable land area that dictates the maximum building square footage that can be built. Government agencies that issue permits do not consider patios, balconies and rooftops as part of the building’s square footage. If these were considered square footage, then the developer would have to get building permits and pay for the square footage entitlements for those elements of the building. Further, they would have to provide additional parking, restrooms and other building services to allow for the additional occupancy of these areas. Since virtually all developers build to the maximum square footage that the regulating municipality allows, the square footage of these patios, balconies and rooftops is taking the building square footage beyond the originally approved maximum entitlements!

Let’s further consider the utility of these areas. These patios, balconies and rooftops are not enclosed and generally not covered, so the people using these areas are vulnerable to wind, heat, rain and a myriad of shifting weather conditions. These areas are available to just a handful of employees, a handful of daylight hours on a handful of days.

So we have a situation where BOMA rules that landlords can now include these elements in their calculation of rentable square footage even though these elements were not permitted or entitled as such, and don’t show up on the tax rolls as square footage for the building.



The hard truth is that these areas were never calculated as part of the building when it was permitted and built, and they are not part of the building today. Nonetheless, landlords all over the United States are actively hiring architects to re-measure their buildings to take advantage of these new BOMA standards. When leases come up for renewal, landlords are attempting to increase the tenants’ square footage, even though there is no increase in square footage. Additionally as spaces turn over, landlords are slipping the new higher numbers into the rentable square footage calculation, generally without any disclosure that the square footage was changed to include these exterior spaces.

The fact that BOMA is attempting to lend credence to this notion as being fair and reasonable only serves to highlight the egregious and gross conflict of interest when this group comprised of building owners and managers, and their vendors and promoters, is allowed to dictate the rules governing building measurement. The incentive to chip away at the margin of what is reasonable in the interest of the landlord’s profitability has always been just too tempting. It is time for corporate America to demand a rollback of these latest BOMA modifications, and to insist either that BOMA be replaced as the de-facto governing body for building measurement standards or invite the tenants to the party and balance out their governing body with an equal number of corporate real estate and business owner voices. The Association for Commercial Tenants (ACT) is a venue to shout out a rally cry against the absurdity of the latest BOMA standards update. ACT stands in strong and vocal opposition to the BOMA 2017 For Office Buildings: Standard Methods of Measurement.

We invite you to join us in this challenge to BOMA. Maybe

there exists a great real estate litigator that wants to take up a collective class action lawsuit on behalf of damaged tenants against BOMA? Consider that there is 8.75 BILLION square feet of office space in the United States that is non-owner occupied. Just a 2% increase in the square footage of that would add 175,000,000 square feet of office space to landlords’ new square footage, without actually building a single new building. It’s like landlords added a commercial office building market greater than the size of metro Seattle to the United States without spending a penny. If annual net rents average \$24 per square foot across the US (a low estimate), building owners just picked up \$4.2 billion per year in increased rent, or at a 6 cap rate, an increase in asset value of \$70 billion! All of that rent comes right out of the pockets and EPS of the tenants that write the rent checks. The bottom line is that there is no “T” for Tenant in BOMA, and BOMA has delivered big again on their mission of protecting “their members’” livelihoods. □

**Add your voice to our growing community and help to send a message to BOMA that this is unacceptable and needs to be changed. Send an email saying, “Count Me In” to [rollbackboma2017@actrealestate.org](mailto:rollbackboma2017@actrealestate.org).**

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*Hughes Marino*

# SAN FRANCISCO:

*Inside the Design  
of Our Chic Downtown Office*

By Shay Hughes



Reflecting on the second half of 2019, we had quite the exciting and fulfilling whirlwind of a year! With the expansion of our San Francisco team, our next step was to cultivate a new home away from home for our growing team that incorporated our signature warm and welcoming Hughes Marino style, and that also had a distinct personality that reflected the city's one-of-a-kind persona. In true Hughes Marino fashion, we set out to develop a beautiful new workplace that continued to emulate our award-winning culture, core values and brand in the Golden Gate City, and our team is loving the results!

We led an extensive search for a location in the heart of downtown that provided access to many modes of transportation, and we were elated when we found the perfect home base for our amazing team. Our latest office is sixteen floors above San Francisco's Financial District in the One California building, a skyscraper on arguably one of the city's most picturesque streets, complete with the famous cable car line that runs along California Street.

After months of searching for the perfect space, sourcing art, furniture and fixtures, we are super pleased with the outcome of our newest home away from home. Here is an inside look into Hughes Marino San Francisco. We hope you love it as much as we do!



**Shay Hughes**  
President & COO  
Hughes Marino

### Our Whimsical Reception Area

We wanted to create a warm, cheerful first impression for guests when they first visited our office. Walking out of the elevator through the glass double doors

into the office, guests and our teammates are immediately transported into a playful, whimsical setting that we can't get enough of!

It's hard not to smile when walking through the entryway. A framed print of "Party Time at the Parker" by world-renowned photographer Gray Malin sets the tone for our entire office, featuring a happy elephant playfully walking through a path of bright and colorful balloons. To complete the welcoming setting, a charming, life-size sheep ottoman (yes—you read that right!), happily greets everyone into our reception area.

We selected a subdued color palette for the sitting area, complete with a soft pink plush velvet couch with white fluffed pillows, pretty gold accents, an oversized original portrait of ballerinas and plenty of inspiring design-oriented coffee table books to thumb through while guests wait.

### A Conference Room with a View

Our conference room features stunning views of the nearby skyscrapers and bustling city streets, and offers a quiet, private space for meetings with clients or the team. This room is flooded with natural light, and features stunning black and white photography by acclaimed editorial photographer, Greg Lotus, which is hung on a black accent wall that adds the perfect contrast, adding even more drama and glam to our conference room.

### A Modern, Central Kitchen

Around the corner from the reception area is our clean, modern kitchen in the center of the office, complete with sleek white and gray countertops, barstools, candy jars, stainless steel appliances and colorful art by James Wolanin!

By featuring a larger-than-life Ghirardelli square by one of





our favorite artists Gary Polonsky, we were able to highlight one of San Francisco's most beloved and iconic chocolatiers, and uphold another Hughes Marino office décor tradition! This art definitely serves as a fun conversation starter, and we placed it right at the entrance of our kitchen to keep the playful vibes flowing throughout the entire office.

### A Mix of Private & Open Workspace

To provide workspace for all kinds of situations, we were sure to incorporate a balance of private offices and open workstations. Our operations area has 180-degree views of Downtown San Francisco, showcases a show-stopping fashion art piece by Max Grossman, and a fun cozy corner with comfy seating and a gallery wall with inspiring quotes and colorful imagery. Each of our private offices have their own little personalities, complete with unique art pieces and plenty of space to focus and get down to business.

### Our Cozy Living Room

Walking down the hallway of private offices, past our copy room with yet another fun gallery wall and our playful Kate Moss photography, is perhaps my favorite room of our San Francisco office. Our cozy living room is tucked toward the back of our office and is a fun surprise to find! To tie all of the décor elements together, we kept a similar color palette from our reception area, which includes soft pinks, grays and creams, and brought in all of the elements of home to make this space as beautiful and homey as possible!

The best living rooms have tons of comfortable sitting space, and that detail did not go unnoticed in our living area! Two leather chairs face out to the wall-to-wall windows with even more breathtaking city views that flood the space with

natural light. Two oversized soft gray velvet couches face each other, packed with fluffy pillows that provide the perfect place for our team to relax and bond together. No Hughes Marino living room would be complete without a coffee table with whimsical trinkets and inspiring books, and we had a great time sourcing a collection that perfectly reflected San Francisco. My favorite fun element of our living room? Our amazing collection of vintage Barbie travel art by David Parise! From riding Vespas in Rome, vacationing in Paris and skiing in Aspen, our collection definitely adds an imaginative, fun and quirky touch to the room (and also makes us smile)!

### A Lively Game Area

When our team is looking to engage in a little friendly competition, they definitely have some fun, yet stylish, options to choose from in our game room. Between the white lacquer foosball table imported from Italy, the beautiful ping pong table crafted of solid oak and oversized Scrabble board hanging on the wall, there are plenty of ways to unwind and hold tournaments to keep our team engaged and having fun! It is here where we also feature our signature family photo wall that we have on display in each of our Hughes Marino offices, as one more reminder of our core value #4—Embrace the family spirit!

We truly enjoyed the journey of developing our latest office in San Francisco, and hope you enjoyed our tour. As with all of our Hughes Marino offices, we are excited to carry on our tradition of creating welcoming and second-to-none workspaces for our team, clients and community in the Bay Area to enjoy, and we look forward to welcoming you for a visit! □

# SPARKS



### HIGGS FLETCHER & MACK

A MODERN & SLEEK PENTHOUSE



### FREIHEIT ARCHITECTURE

A SLEEK & INDUSTRIAL WORKSPACE



### HGA

AN INNOVATIVE & ENERGETIC WORKSPACE



# HIGGS FLETCHER & MACK

A MODERN & SLEEK PENTHOUSE

By Star Hughes-Gorup

Full service law firm Higgs Fletcher & Mack LLP recently underwent a massive update and revitalization of their space on the 25<sup>th</sup>, 26<sup>th</sup> and 27<sup>th</sup> floors of their downtown high-rise, and we are happy to report that they knocked their remodel out of the park!

Higgs Fletcher & Mack has been nationally recognized for their commitment to their firm's values and the accomplishments they achieve for their clients. Our Planning + Design and Program, Project and Construction Management teams were thrilled to help turn their vision into a reality!

Stepping out of the elevators, guests are immediately greeted by a beautiful, bright and open reception area that features a sleek marble reception desk. Velvet blue chairs in the sitting area add a vibrant pop of color that complement the grays throughout the space.



**Star Hughes-Gorup**  
Senior Vice President  
& Director  
Hughes Marino

Directly behind the reception area are conference rooms that offer unparalleled views of the city and bay below. A dramatic three-story staircase with glass paneling takes guests to the firm's upper floors, adorned with pendant lights and rich wood textured walls, which allow for great opportunities to connect with team members while traveling between floors.

Private offices and conference rooms line the windows, each with expansive views of the skyline below. The offices

feature glass sidelites adjacent to each door, allowing for natural light to flood the interior areas of the space. Two conference rooms feature movable walls that allow for an even larger open area, perfect for team members to hold gatherings and events.

As you can see, it's evident that every detail was extremely thought-out in their office. From the chic chairs in the reception area, to the modern end tables, to the marble features encountered upstairs, as well as the furniture, the elevated design is sleek and modern.

Congratulations to Higgs, Fletcher & Mack on their beautiful space that is the perfect place for their team to thrive and continue to deliver excellence to their clients! □

**Star Hughes-Gorup** is a senior vice president and director at Hughes Marino, an award-winning commercial real estate firm with offices across the nation. Star is a key member of Hughes Marino's brokerage team, where she specializes in tenant representation and building purchases. Star also makes frequent media appearances to speak on business issues from a millennial perspective, and regularly writes for Hughes Marino's "Spaces We Love" blog. Contact Star at 1-844-662-6635, or [star@hughesmarino.com](mailto:star@hughesmarino.com).





# FREIHEIT ARCHITECTURE

A SLEEK & INDUSTRIAL WORKSPACE

By Gavin Curtis & Owen Rice

When most people think of architecture, strikingly designed buildings are what first come to mind. So when FREIHEIT Architecture had a chance to reinvent their office, they wanted to show off their own expertise with an industrial, modern and ultra-sleek space! The firm focuses on office, retail, industrial, multi-family, mixed-use and hospitality sectors. “Freiheit” means “freedom” in German and expresses the notion that anything is possible, and their office certainly showcases the name! Their office is the perfect environment to foster creative thinking and teamwork.



**Gavin Curtis**  
Vice President  
Hughes Marino



**Owen Rice**  
Executive Vice  
President  
Hughes Marino

FREIHEIT Architecture's former building didn't have the best transit options, and nearby amenities were scarce, which was a downside for their team. Taking this into consideration, they wanted to move into a new space that helped recruit and retain top talent, while also enhancing their company culture, which was necessary for their thriving company to grow. In their new building, FREIHEIT aimed to make the office as open as possible to promote collaboration and transparency among all team members, and we can safely say that they accomplished their goals!

When guests first step off of the elevator, they are immediately immersed in an impressive showcase of architecture and design, leading to the reception area. FREIHEIT's logo is displayed on a slab of steel installed on a plaster-grooved wall,

setting the tone for the sleek and modern vibes throughout the rest of the space.

One goal the team wanted to achieve when creating the space was for clients to see the entire office at work the minute they enter, which helps with the energy and engagement of the team.

Concrete floors throughout the space also add to the industrial feel. The ceilings feature exposed beams, and sleek silver pendant lights hang above workstations where team members can gather and collaborate on projects.

FREIHEIT's glass-enclosed conference room is open and inviting. The room also features wood ceiling panels, potted plants along the window line and views of the bustling city below.

As the team at FREIHEIT says, “We value simplicity, tend to be plain speaking, and prefer to roll up our sleeves and get things done in a no nonsense fashion.” Their workspace definitely exudes the polished and detailed mindset of the team and company. Congratulations to FREIHEIT Architecture on an amazing space that exudes their commitment to their craft! □

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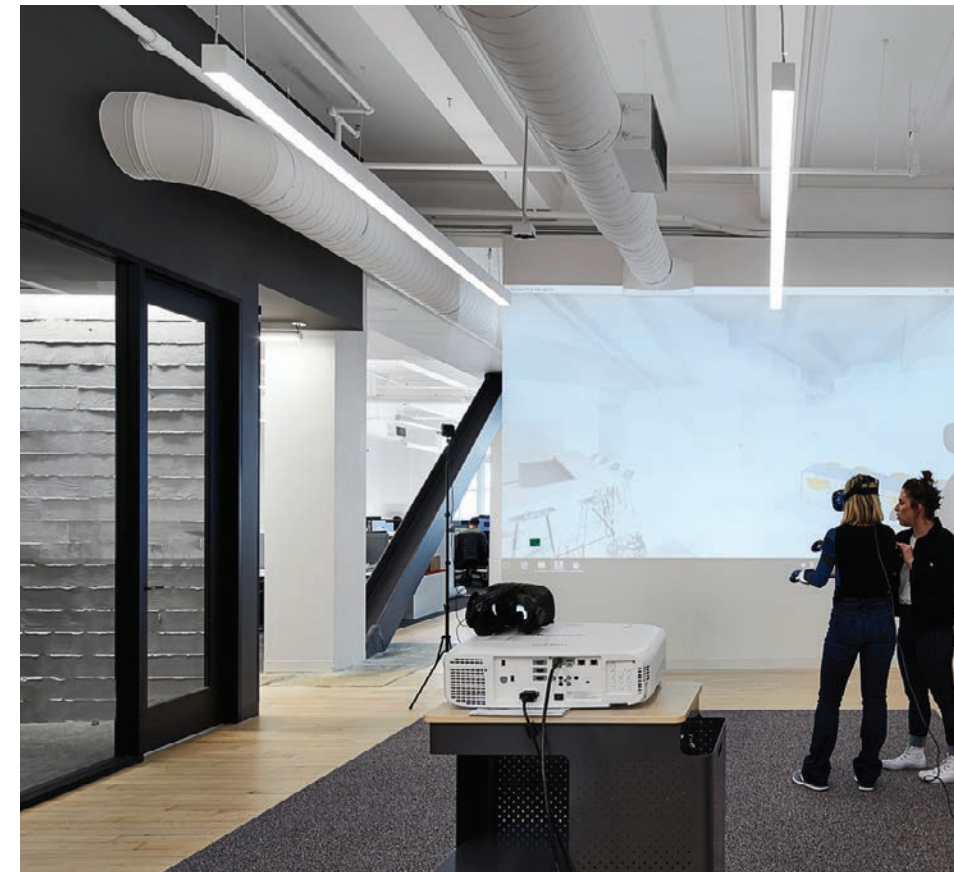
# HGA

## AN INNOVATIVE & ENERGETIC WORKSPACE

By Cale Miller & Cameron Love



Photography by Corey Gaffer.



Leadership at innovative design firm HGA realized that their existing office space was not providing the collaborative, inclusive and creative environment that team members required to produce their best work.



**Cale Miller**  
Senior Vice President  
Hughes Marino

HGA needed a large floor plan to accommodate their 60 existing team members and furnish additional space to accommodate growth. While no easy feat, the Hughes Marino team discovered the perfect locale in the heart of downtown.

Initially, HGA set their sights on the third floor, however, due to zoning issues and timelines, the firm took residence on the fifth floor of the nine-story building.

This action proved favorable, as HGA discovered architectural and structural elements in the 15,000 square foot space that inspired the look and feel their team members desired. The office features unique cross-bracings, one of the most prominent features of their space, which added a distinctive infrastructure aesthetic.



**Cameron Love**  
Senior Vice President  
Hughes Marino

With the new space came new opportunities and challenges, most importantly—how would they incorporate

the firm's best-in-class design approach for clients into a design for their own workspace?

The team started their project as they do with each client—by creating a fluid, dynamic and innovative workspace based on five drivers: Attract and Motivate; Collaborative and Innovative; Real Estate Optimization; Brand; and Human Well-Being.

A successful space serves as a platform for retaining and attracting new talent. Their prior location was not conducive for sourcing the right team members, and team members found it difficult to engage and maintain a productive motivation and foster creativity.

In their new surroundings, there is an immediate feel of collaboration and innovation, showcased by a full-length working wall lined with whiteboards, tackable panels and rolling glass.

Team members can engage, interact and discuss client designs, and the movable glass walls offer space flexibility for larger team meetings and client presentations. The space also provides ample open areas for collaboration, featuring stationary and mobile workstations, as well as creativity areas and conference rooms.

When considering Real Estate Optimization, HGA incorporated work and fun into the floor plan. The entire studio connects team members and creates a purposeful and energetic flow.

Design at HGA also integrates technology, where team



members can craft designs utilizing virtual reality devices.

A premier space is defined by many architectural and design synergies, however, one of the most important characteristics is the kitchen and lounge space where team members can unplug for some quiet time, or come together to share a meal and enjoy conversation.

The HGA Brand is on full display at Sutter Street. The space exudes the firm's culture of collaboration, flexibility and promotion of well-being. From food options to light and air quality considerations, HGA encourages team members to embrace health and wellness. The firm is even pursuing WELL Certification.

HGA certainly got this design right and did so by following their own mantra: "We listen first." Leadership encouraged team members to provide input on the design. That meant not just the interior designers, but the architects, marketing and IT professionals.

The new HGA space delivers a quality and spirited design, which demonstrates the firm's reputation as an industry leader. Congratulations to HGA, on their modern and creative space! □

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It has been five years since California implemented broad-sweeping changes known as the Title 24 Energy Code, and businesses everywhere were introduced to the sticker shock associated with the new requirements. Effective January 2020, new Title 24 standards were rolled out, forcing all local jurisdictions to adopt the new Title 24-2019 Building Energy Efficiency Standards. Additionally, some significant changes to the 2018 California Building Code (CBC) also came into effect.

The 2019 Energy Standards apply to newly constructed buildings, additions, alterations and repairs to existing buildings. Focusing on improving energy efficiency, updates have been made to electrical, mechanical, building envelope and most notably, lighting systems. Additional changes focus on building structural strength, means of egress, stability and other requirements to safeguard the health, safety and general welfare of the public, staff, emergency responders, etc.

Some of the most significant changes include:

#### Lighting:

- Lighting wattage allowances will be significantly decreased to be more in line with the previous LED requirements.
- Interior lighting occupancy controls will now need to be installed in restrooms of any size.
- Certain outdoor lighting controls will require dimming, vacancy response capabilities and shut-off controls.
- Lighting controls will be reviewed and accepted only by a Certified Lighting Controls Acceptance Test Technician (CLCATT).

#### Mechanical:

- Air filtration systems will require the use of MERV 13 filters or greater.
- Mechanical ventilation requirements have been aligned to ASHRAE 62.1.
- Ventilation, minimum exhaust rates and air classification tables have been added.

#### Changes to the 2018 California Building Code (CBC) / International Building Code (IBC):

- Due to changes in the seismic load calculation in the 2019 CBC, most buildings will see an approximate 10-25% increase in their steel designs.
- Fire sprinkler systems are needed for all Group A-1 occupancies, and all stories from the Group A-1 to the exit discharge level. For example, if you have an A-1 occupancy on the 5<sup>th</sup> floor, then all 5 floors to the ground floor exit need to be sprinklered.
- Fire retardant wood sheathing and framing are now allowed in exterior walls not exceeding 2hr rating in Type III and Type IV buildings.
- The biggest occupancy change in the 2019 CBC since the 1940's code is the change from the traditional Business (B) occupancy from 1 person for every 100 square feet to now 1 person for every 150 square feet. For call centers, the updated code added a 1 person for every 50 square feet category. The 1 person per 150 square feet will reduce required stair widths and number of exits in traditional office building design.

So what does this mean to you as a business owner? Rising costs of construction. The severity will vary from project to project, and our Hughes Marino Program, Project and Construction Management team is happy to help you analyze the impacts! For more information, or to see what we're doing to help clients navigate and stay ahead of the code changes, please call 1-844-662-6635 or email us at [info@hughesmarino.com](mailto:info@hughesmarino.com). □

**Daniel Mejia** is a senior project engineer at Hughes Marino, an award-winning commercial real estate company specializing in project management, tenant representation and building purchases with offices across the nation. Contact Daniel at 1-844-662-6635 or [daniel.mejia@hughesmarino.com](mailto:daniel.mejia@hughesmarino.com) to learn more.



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# Deadline Quickly Approaching for Private Companies to Adopt the New Lease Accounting Standard, ASC 842

By Ed Muna

**W**e are now in the final stretch for private companies to meet the deadline for the implementation of the new accounting standard, ASC 842. Issued by the Financial Accounting Standards Board (FASB) in 2016, ASC 842 goes into effect in January 2021 for private companies, and requires businesses to record lease obligations that are longer than one year on the balance sheet as a liability and asset. Prior to the change, these obligations were only recorded on the income statement.

Having spent the past few years working with public companies that needed to adopt the new standard by the first quarter of 2019, we know how challenging this process can be. Fortunately for private companies, we are leveraging this experience to guide and share the insights we have learned.

Here are seven tips for private companies who need to work to implement this new standard.

## 1. Benefits Gained Will Go Beyond the Balance Sheet



**Ed Muna**  
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While the changes that will need to be implemented are being brought on by the need to meet the new lease accounting standard, companies should realize that they will gain much more with the proper implementation. With the systems and procedures that will need to be established, business leaders will see improved lease management processes, greater visibility to leasing costs, and ultimately, an ability to make better leasing decisions that can result in cost savings.

## 2. Start Early

If you haven't already established your team and have a plan in place, you are behind the eight ball. Depending on the size of your lease portfolio, this process can take anywhere from six months to well over a year. There is no harm in getting your systems established early to allow a cushion for testing and adjustments, so, avoid working with a tight schedule.

## 3. Assemble Your Team

A successful adoption will not be achieved by only one or two people. One common mistake we have seen many companies make in the past is to rely solely on their accounting team. While the end result is an impact on the balance sheet, representation from procurement, real estate and a solid third-party consultant that understands the standard is extremely critical.

## 4. Utilize the Correct Software & Understand the Data

The calculations required for the new accounting standard are complicated and will not be sustainable in Excel if you have multiple leases. While private companies won't be subject to strict SEC reporting guidelines and might be tempted to take shortcuts, it is critical to produce accurate information to maintain the confidence of investors and lenders. So, while one-location companies can probably get by with spreadsheets, if you have to track a portfolio of contracts, new software will need to come into play. With that said, do not expect the software alone to be the solution. We have



seen a number of companies make the investment in a good software product, only to populate it with inaccurate data and assumptions. As mentioned above, a team that understands all data points is key.

## 5. Data Collection & Identifying Leases Takes Effort

It sounds easy, but the gathering of lease contracts may prove to be more challenging than anticipated. From missing documents, to decentralized storage, to embedded or implied leases in service contracts, companies are underestimating the time and effort needed to gather and abstract these documents. Most companies also default to contracts with the word "lease" in the title, such as real estate or equipment leases. However, there are many other contracts that may include what is known as an "embedded" lease under the new standard. Examples include service contracts where a company has use of an asset. This is why procurement is a critical part of the team. All existing and future contracts need to be reviewed and evaluated to ensure the population is complete.

## 6. Know the Code

This sounds obvious, but there are many data points and decisions that go into the calculations for ASC 842. We are regularly being brought in during the adoption process and finding improper inputs and assumptions being made. The end result is unnecessary liabilities being reported on the balance sheet.

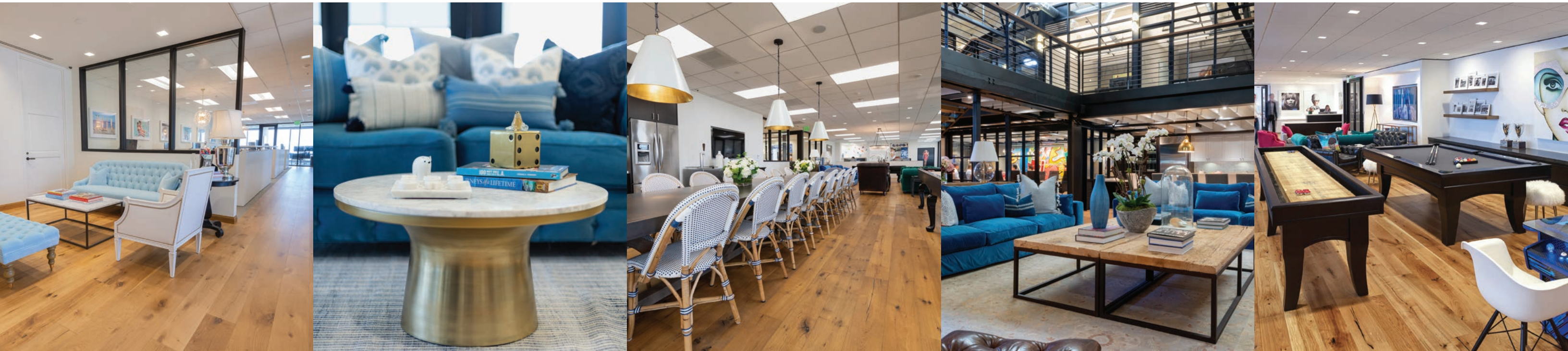
## 7. Maintenance is Critical

With the number of leases likely to be identified during this process, the ability to maintain the data on an ongoing basis is key. This means staying on top of any modifications, additions or expirations of contracts.

The entire implementation is a time-consuming group effort and can be overwhelming if not faced with a proper plan and resources. At Hughes Marino, our portfolio lease administration and advisory team is assisting in the process with clients and has systems in place to help companies get on track and wrap their arms around what will be a significant addition to their balance sheet. Proactive companies are embracing this reality and finding a lease administration partner, and we would love the opportunity to become an extension of your own team and assist you with the challenges ahead. □

Scrambling to meet the January deadline for the new lease accounting standard, ASC 842? Hughes Marino will be holding a series of seminars in the coming months to help companies understand ASC 842 and provide tips for a successful adoption. Email us at [leaseaccounting@hughesmarino.com](mailto:leaseaccounting@hughesmarino.com) if you would like to be notified when dates are available.

***Ed Muna** is a senior vice president of Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Ed is SVP of Hughes Marino's Portfolio Lease Administration and Advisory team and helps tenants address issues that arise during their occupancy. Contact Ed at 1-844-662-6635 or [ed@hughesmarino.com](mailto:ed@hughesmarino.com) to learn more.*



# OFFICE ENERGY:

## *What it Takes to Create a Great Space*

By Kristin Christensen

**A**n impressive compensation package, stellar retirement and health benefits, and the opportunity to engage in meaningful and transformative work. These are just a few of the items that job seekers consider when evaluating employment opportunities.

To compete effectively in today's marketplace, business executives need to utilize a range of resources to retain and attract talent, which also includes providing a great workspace for teams to thrive.



**Kristin Christensen**  
Interior Design  
Director  
Hughes Marino

### A New Perspective on Workplace Design

For decades, the idea of workspace flow and layout were stock and cookie-cutter: small individual offices, 8'x10' cubicles, stuffy meeting rooms and stark

lunchrooms; but that has changed. Businesses now place heavy focus on the design, look, feel, amenities and functionality of the workplace, in order to provide environments that foster creativity, collaboration, team cohesion and embody company culture.

But what makes a space that has the ability to inspire? While color palette, flooring materials, lighting, artwork and furniture are all correct answers, it is the interconnected and holistic ecosystem of all of these parts which determine the quality and functionality of the design.

A workspace developed correctly can inspire team members, provide an environment for productive engagement and promote creativity. Our offices at Hughes Marino serve as second homes to our team, and also offer an inviting space for our clients and guests to enjoy, and we love sharing this same model with our clients. Here is a little peek into our Planning + Design process, where we develop workspace elements that enhance culture, performance and productivity.

### Getting Started

No matter if the business is in high-growth technology, wealth management, legal or biotech, our first step in crafting an outstanding workspace is meeting with the business owners and leaders to determine their strategic outlook, goals for the space, team member headcount and future growth projections.

In this Needs Assessment phase, our team discovers the critical planning elements, which set the stage for the design. Next, we host a series of visioning sessions where imagery meets the program, where the space begins to unfold, complete with tables, sofas, workstations, chairs, flooring and lighting components. There are sketches, as well as 2D and 3D concepts that are then discussed with the client to determine suitability and attractiveness.

### The Critical Elements of an Impressive Design

Open and collaborative work areas are a key ingredient to a great looking and effective space. We heavily encourage a balance of private offices and multiple open stations, where team members can mingle, work and take a few moments to relax. This includes the break or lunch area, which is the heart of a space and offers team members a place to unwind with friends. Our Hughes Marino kitchens are a great example of how showcasing a recreational space can work as the perfect focal point for both the team and guests.

An absolute priority for any outstanding space is a warm and welcoming entryway. The foyer delivers the first and last impression, and as such, must display the company's hospitality and inviting culture and attitude of its team

members. It's critical to get this element right every time, and something our team loves to accomplish with every one of our projects!

### The Finishing Touches

Finishes and fabrics, vignettes, lighting, accent rugs, books, a neutral palette, sofa style...the list goes on and on. There are infinite possibilities when it comes to the design of a space, and in many ways, the process is similar to an artist with a blank canvas. As one of my favorite phases of a project, our team is always up for the challenge to reflect a company's culture and brand!

As you can see, a lot of thought and inspiration goes into a quality design. Business owners across the country (and around the world) are coming to realize the value a spirited and functional design brings to their organization, team members and clients. In the end, all of the elements that comprise a space are critically important, but the true measure of the effectiveness and energy of a workspace is the setting and mood it conveys, and the narrative of the aesthetic. Nothing fulfills our team more than to see the transformative impact functional space can have on our clients and their company's culture! □

**Kristin Christensen** is interior design director for the Planning + Design team at Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Contact Kristin at [kristin.christensen@hughesmarino.com](mailto:kristin.christensen@hughesmarino.com) or 1-844-662-6635 to learn more.

# OKRs:

## *The Secret to Unlocking Untapped Potential in the Workplace*

By Shay Hughes

All of our team members are ambitious go-getters, and always eager to accomplish the next big goal. Since this characteristic is built into the DNA of our team, it has always been sought out during our interview process, and is an essential element to our success as a company. When my son recommended that I read *Measure What Matters*, a book on goal setting through “OKRs” by John Doerr, chairman of Kleiner Perkins (and an original investor and board member of Google and Amazon), my interest was immediately captivated.

I read the book cover to cover in one weekend. After reading about the transformative impacts that OKRs had on Google, LinkedIn, Twitter, the Bill and Melinda Gates Foundation and so many more organizations, I knew we HAD to incorporate OKRs at Hughes Marino. Looking back on when we first introduced OKRs to our team, I can honestly say John Doerr and his OKR system has almost revolutionized how we tackle big goals and accountability as a company.

We’ve experienced many great benefits from adopting OKRs, but I believe the most transformative impact we’ve had from OKRs boil down to these three wins:

1. Challenging every teammate to clearly identify what the MOST important objectives are that will propel the company forward more than other worthy ideals (which is easier said than done).
2. Providing the framework for a disciplined approach that our team is aligned in doing together on an ongoing quarterly basis.
3. Constant course correcting at the end of every quarter so we challenge what we are spending our time on, hold ourselves accountable to do what we said we were going to do, and reassessing and stating new OKRs on a consistent quarterly basis.

As a result of OKRs, our team is more focused, accountable and conscientious of how they spend their time, which is a huge win for the entire organization. With everyone improving their performance on an ongoing basis, the team’s cumulative progress is exponential.

### The Basics: What are OKRs?

#### Objectives – The What.

OKRs all start with identifying the big, **massive impact** goals that you want to accomplish for the quarter, or in some cases arching over several quarters. Objectives are not intended to be identified as daily tasks, but bigger picture goals that help move the needle forward for the entire company. At Hughes Marino, we encourage our teammates to identify 1-5 objectives that they want to accomplish for the quarter. OKRs force us to reflect critically on the most important objectives we need to accomplish as an organization, and then hold ourselves accountable to accomplishing them.

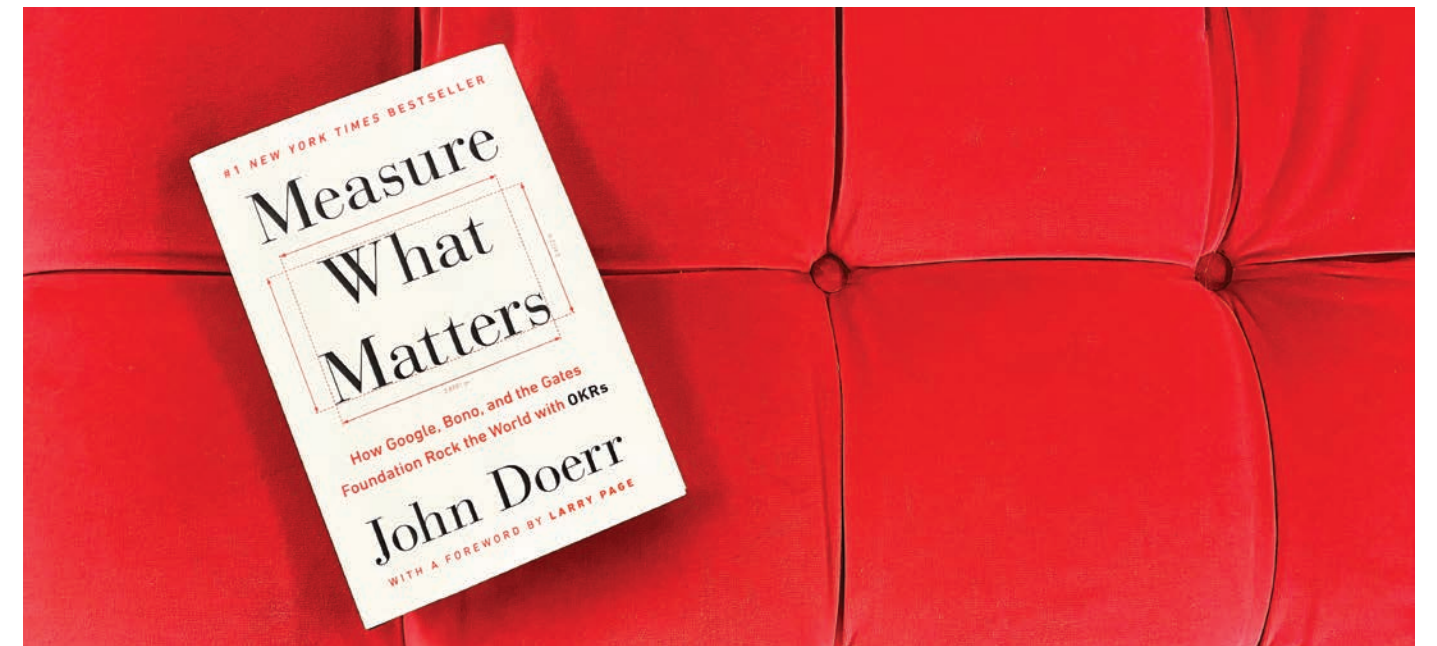
#### Key Results – The How.

Key Results are the “how” you will accomplish your objectives. KRs identify 1-5 measurable tasks that give the goal setter actionable tasks that will ensure their success for accomplishing the objective. At the end of the quarter, you should be able to identify with a clear yes or no if you accomplished the key result. Did you do it or did you not?

### FACTS: The Benefits of OKRs

#### 1. Focus

A basic, yet fundamental element of OKRs is to keep them limited, and very focused. As everyone knows, it can be a bit overwhelming to have so many big projects going on at once, and sometimes even paralyzing. By only having 1-5 OKRs, it



helps team members stay laser-focused on accomplishing their goals for the quarter (and is super rewarding once they are accomplished, too!).

#### 2. Alignment

Before the beginning of each quarter, we share the overarching Hughes Marino company OKRs with our team. This transparency helps our teammates see the big picture tasks we set out to achieve for the quarter, which help them draft their own based on both the company goals, and also with collaboration amongst teams to accomplish goals together. According to a report by the *Harvard Business Review*, “Alignment is a strong motivator at work...Once organizations align individuals to long-term goals, they’ll experience heightened retention and better execution.”

#### 3. Commitment

It has been proven time and time again, by physically writing down professional (or personal) goals and sharing them with others, people are much more likely to stick with them. By tracking our goals in a database for everyone to see, our team stays committed, and are also even more willing to help the whole team win!

#### 4. Tracking Progress

By tracking progress company-wide, we are all able to hold each other accountable, and also keep ourselves accountable. It is incredibly rewarding to mark KRs as completed, and encourages each team member to make progress toward our objectives.

#### 5. Stretching

We aren’t afraid to think big! By stretching ourselves to aim for very lofty goals, even if we fall short, we most likely will make progress that might not have happened unless we aimed high!

### How We Implemented OKRs

We implemented OKRs in 2018 by rolling the concept out to smaller groups, adding more and more teammates each quarter. Every quarter, I present the power of OKRs to our newest “OKR class,” and the results we’ve seen have been staggering! After an intro to OKRs and reading *Measure What Matters*, everyone drafts their own OKRs, then shares them with their team leaders, who help to tweak them to ensure everyone is aligned and focused on the MOST important objectives that will have massive impact, both within their own teams and with the entire company. I will admit, it definitely takes a very conscious effort to keep OKRs implemented, but that effort has been such a great investment. From company-wide initiatives in culture and hiring, to technology breakthroughs and business process improvements, OKRs have transformed our mindset on goal setting.

As a part of our Culture Consulting services, I also speak to companies about the successes we’ve seen with the OKR process, and how to successfully implement OKRs with their own teams. Feel free to reach out to me at [shay.hughes@hughesmarino.com](mailto:shay.hughes@hughesmarino.com) to learn more!

As a reflection of the past years, OKRs have truly been our secret to unlocking untapped potential. We hope this inspires you and your team in setting and accomplishing your goals, and we look forward to seeing what successes our OKRs will bring us next! □



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