

Some of Silicon Valley's premier law firms have found the space to expand in East Palo Alto. The University Circle office complex, shown here in a drawing by Hoover Architects, arose from a former redevelopment area along U.S. 101.



Hoover Associates

LETTER FROM

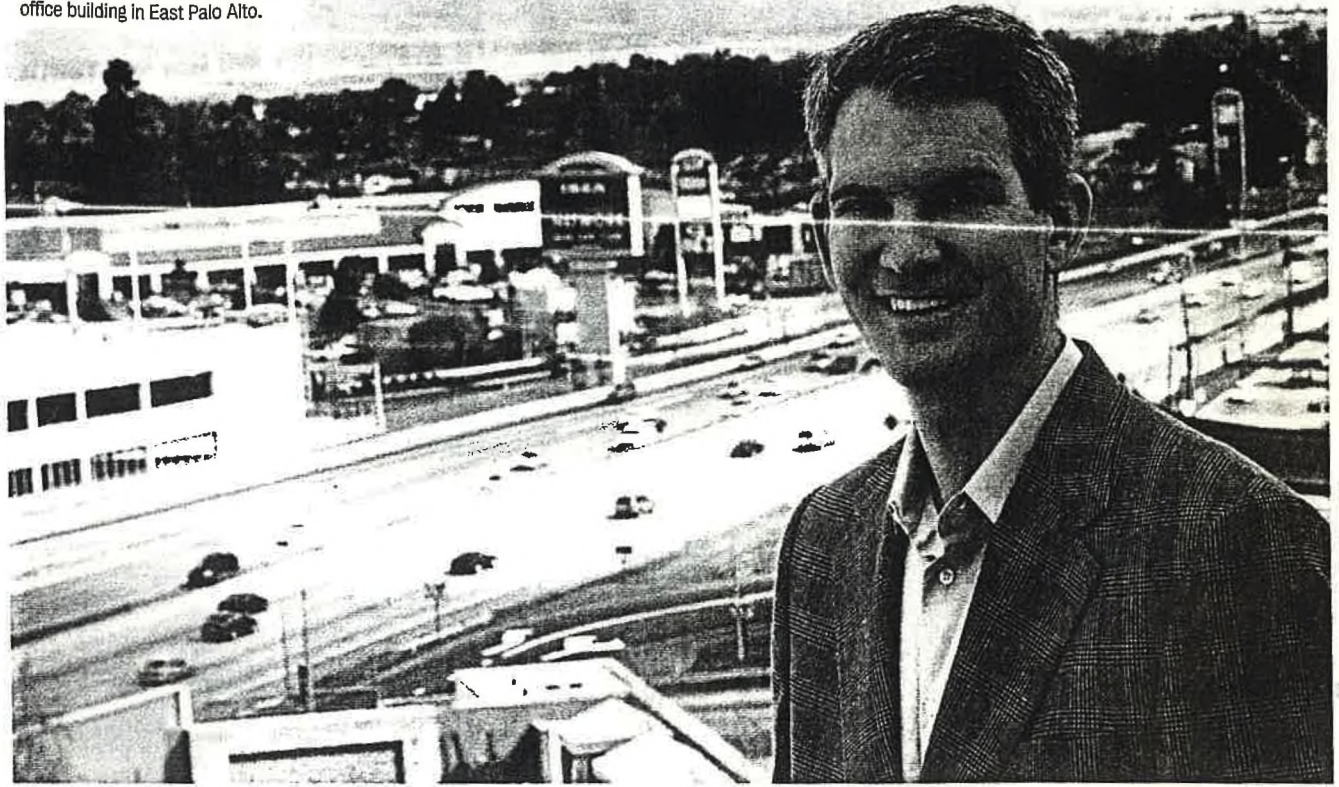
# East

# PALO ALTO

How Silicon Valley law firms are spilling into a low-income community.

BY MALAIKA COSTELLO-DOUGHERTY

"We are proud to be here," says DLA Piper partner Andrew Valentine, standing atop a University Circle office building in East Palo Alto.



Christopher Lucas

**A**ndrew Valentine, a partner at DLA Piper Rudnick Gray Cary, watched as a hearse carrying the body of fallen police officer Richard May moved slowly out of East Palo Alto. Followed by a funeral procession of hundreds of vehicles, the hearse passed Valentine's six-story building at University Circle and turned onto the freeway. From his corner office, he could see a memorial image of the blond-haired, blue-eyed May on Ikea's electronic billboard standing across the interchange.

Officer May was killed in January on an ugly dead-end street in East Palo Alto. After struggling with a suspect, May fell to the ground and was shot in the head. Alberto Alvarez, a suspected local gang member, was arrested the next morning and charged with murder. The gang in question reportedly had been involved in drug-related violence since before 1992—the year East Palo Alto became infamous as the nation's murder capital, with 42 homicides in the small city.

University Circle sits at the boundary of East Palo Alto and the wealthy community of Palo Alto, the hub of Silicon Valley. The office complex—three six-story buildings first occupied in 2001—quickly attracted Brobeck, Phleger & Harrison and Bingham McCutchen, followed by Dewey Ballantine, DLA Piper, Greenberg Traurig, and Howrey Law firms currently occupy more than two-thirds of the available

space. They are gambling that this isolated enclave on the East Palo Alto side of University Avenue will thrive, tracking the fortunes of the high-tech and venture capital industries on the Peninsula.

But there are no guarantees. Silicon Valley fortunes, and commercial real estate markets, are notoriously volatile. University Circle, after all, is where Brobeck moved right before it folded.

WHEN HE WAS GROWING UP ON THE SAN FRANCISCO PENINSULA, Andrew Valentine says, he only experienced East Palo Alto as a largely minority community he rode through on the way to somewhere else. "It was not the type of place you would stop," he says. "I remember thinking how different their problems seemed from ours." University Circle was then known as Whiskey Gulch—a Safeway and a row of liquor stores visited by Stanford University students on weekends.

Valentine, whose father was a prominent local lawyer, recalls how the success of Silicon Valley entrepreneurs transformed Palo Alto in the 1970s and 1980s. "The law firms grew up with Silicon Valley," Valentine says. "We are where we are today because of Silicon Valley."

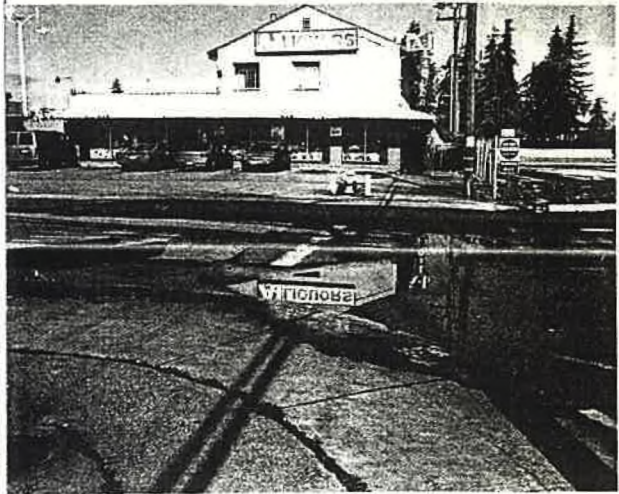
In 1983 the residents of East Palo Alto voted to incorporate by a margin of 15 votes. Proponents wanted self-government of their community, while others argued

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University Circle stands out as a massive development along U.S. 101. Gleaming office buildings with law-firm signage changed first impressions of East Palo Alto.

Marcus Wood



Eva Soos/Palo Alto Weekly

A cluster of liquor stores gave the redevelopment area its former name of Whiskey Gulch. Shown in March 2000, the area was razed to construct University Circle.

incorporation wasn't economically feasible and would drive up property taxes. Legal challenges followed, claiming that absentee ballots had been cast illegally. Appeal followed appeal—eventually all the way to the U.S. Supreme Court, which declined to review the case in 1987.

The new city, however, had practically no revenue—the area had long depended on San Mateo County and foundations for support. “If redevelopment hadn't been a success, the city wouldn't exist,” says Carlos Martinez, East Palo Alto's redevelopment director. Whiskey Gulch was declared a blighted area, setting in motion a redevelopment program that began in 1999. East Palo Alto hasn't had a supermarket since that time, but its tax revenues have soared. In 1998–99, the area generated \$9,976 in taxes; in 2004–05, tax revenue increased to \$1,179,792, according to the city's finance department.

“University Circle was controversial,” says Martinez. (The local government had used eminent domain to clear Whiskey Gulch—displacing both affordable housing and nonprofit agencies to make way for the development.) “In order to survive, the city had to very rapidly increase revenue sources. It's like discussing a decision for your child—it caused pain, but it was for the best.”

Skip Law, the original developer with University Circle Investors, says the 451,000-square-foot complex was built with law firms in mind. He knew that existing commercial space on the San Francisco peninsula was limited. The sandstone-colored buildings—with an Italian granite and Brazilian limestone facade—were designed to evoke the old sandstone

buildings of nearby Stanford University. They projected a solid, stable image that law firms found attractive.

In February 2000—just as the stock market peaked—Brobeck agreed to a twelve-year lease. By March 2002, when Brobeck moved in as University Circle's anchor tenant, average asking rates for office space along that section of U.S. 101 had dropped dramatically, from a high of \$8.95 a square foot per month to \$3.04.

The firm immediately got off on the wrong foot with the community by listing its address as “Palo Alto” on business cards, letterhead, and court documents. “When it comes to crime, everyone puts us on the front page,” East Palo Alto councilmember Pat Foster told the *San Jose Mercury News* at the time. “But when it comes to good things like this, we're denied. It's deceitful, and as a pay down for the community.”

When Brobeck surrendered the building in March 2003, its monthly rent was about \$1 million for five floors, according to bankruptcy court documents. The firm's inability to pay the University Circle rent was one of the reasons for its collapse. In September 2003 the firm's landlords petitioned to force Brobeck into bankruptcy. “There were a lot of sleepless nights,” Law says about Brobeck's default.

The trustee administering the Brobeck bankruptcy concluded: “Prior to 2001, Brobeck placed an unwarranted ‘big bet’ on continued, accelerated growth during the dot-com bubble by undertaking leases for expensive, unused office space, making costly tenant improvements, and incurring massive bank borrowings to maintain partner cash flow.”



Not everyone in East Palo Alto was sorry to see Brobeck fail. Nearly 20 years earlier, lawyers from the firm had represented the people who were opposed to incorporation. "God works in mysterious ways," said Mrs. Barbara Mouton, a longtime resident and the city's first mayor.

GRAY CARY QUICKLY ASSUMED BROBECK'S office space at about 56 percent of its rent, according to the landlord's calculations in bankruptcy court documents. Brobeck left behind Italian furniture and state-of-the-art office technology. "Everybody knew that Brobeck had built a palace," says Sheryl Davis, who was then Gray Cary's director of facilities planning. "To get that palace was unfortunate for them, and

Ballantine's office recently was reduced to a lone partner after losing much of its intellectual property group (which had originally defected from Brobeck) to Dechert in February.

Many of the current tenants are relative newcomers. Randy Single, a shareholder at Greenberg Traurig, says his firm leased space in the complex to establish a presence in Silicon Valley. Howrey announced its arrival last December by putting up a sign on top of the University Circle complex. Anticipating the need for lodgings, a Four Seasons Hotel recently opened adjacent to the office buildings.

"Fifteen years ago, it would have been difficult logistically—and perhaps emotionally—to move to East Palo Alto," Valentine says. But these days he is the community's cheerleader. "East

There has never been a report of street crime inside University Circle, which has 64 security cameras and two guards who drive the perimeter in a white security car. A few days before he was slain, Officer May responded to an alarm that had gone off in Howrey's newly leased offices. "The security is remarkable," says Katherine Basile, Howrey's managing administrative partner. "It can be a bit overwhelming, but it's safe."

The complex's parking garage is gated and exits onto Manhattan Avenue, directly across from a Laundromat where mothers speak Spanish to their children. Last July, as he was delivering newspapers, Manuel Coello was held up at gunpoint in front of the Laundromat and fatally shot. Some DLA Piper employees reported hearing the crime take place. According to the East Palo

## "East Palo Alto is a changing city—it doesn't have the stigma people were worried about."

oh so fortunate for us." The move per- under one roof, instead of spread across several older buildings in Palo Alto.

"We grew to a size that Palo Alto couldn't fit," Valentine says. Having many floors of space in University Circle also permitted the office to expand

Gray Cary Ware and Freidenrich in January 2005. The combined firm of DLA Piper Rudnick Gray Cary recently announced profits per equity partner of \$1,036,000 for fiscal year 2005—just matching Brobeck's numbers at its peak in 2000.

DLA Piper staff can now walk through the courtyard to deliver papers to competitor Bingham McCutchen. The second is high wood in the Bingham space, and there are a few empty offices. Bingham had agreed on a lease shortly after Brobeck signed during the dot-com boom; currently it pays about twice the rent DLA Piper does, according to a real estate expert. Continuing around the circle of firms, Dewey

Palo Alto is a changing city—it doesn't about. We're proud to be here, proud to be part of something new."

DLA Piper helps support a one-story legal aid clinic, called Community Legal Services in East Palo Alto, located across the freeway, just a city block away. Valentine's father helped start the original clinic, and Valentine is now cochair of its board. "It's real street lawyering in a community-based clinic," he says. DLA Piper lawyers provide significant pro bono time to predatory-lending and other consumer cases for low-income residents.

Valentine says his first pro bono case at the clinic, representing a wrongfully evicted East Palo Alto family, helped him see how delicate life can be. "When we help people, it's like preventing dominoes from falling," Valentine says. "One goes down, and it can start a chain reaction. But if we can stop it, then the whole thing won't go down. A little help can go a long way for a lot of people."

Alto police, it was one of 191 crimes—including those hit-and-run incidents and 17 stolen vehicles—reported in 2004-05 on the two blocks of Manhattan Avenue that face University Circle.

"There are spikes of violence, but the spirit of East Palo Alto is a good one," Valentine says. "The surviving leaders and the community people are very tough. Through it all, they never lost hope. East Palo Alto is, and will continue to be, a success story."

Following Officer May's funeral this year, a DLA Piper partner circulated an email titled Our Home. The email encouraged employees to donate to May's family. The firm eventually contributed \$2,500, and 61 employees donated an additional \$4,500. The partner ended his email solicitation by remarking, "This is an important opportunity to show that we are truly a part of this community, and that we appreciate the efforts of the people who serve and protect us." The address line on the message read: "Everyone Palo Alto office"—leaving off the word East. □