

Palo Alto

Weekly

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Spring
Class Guide

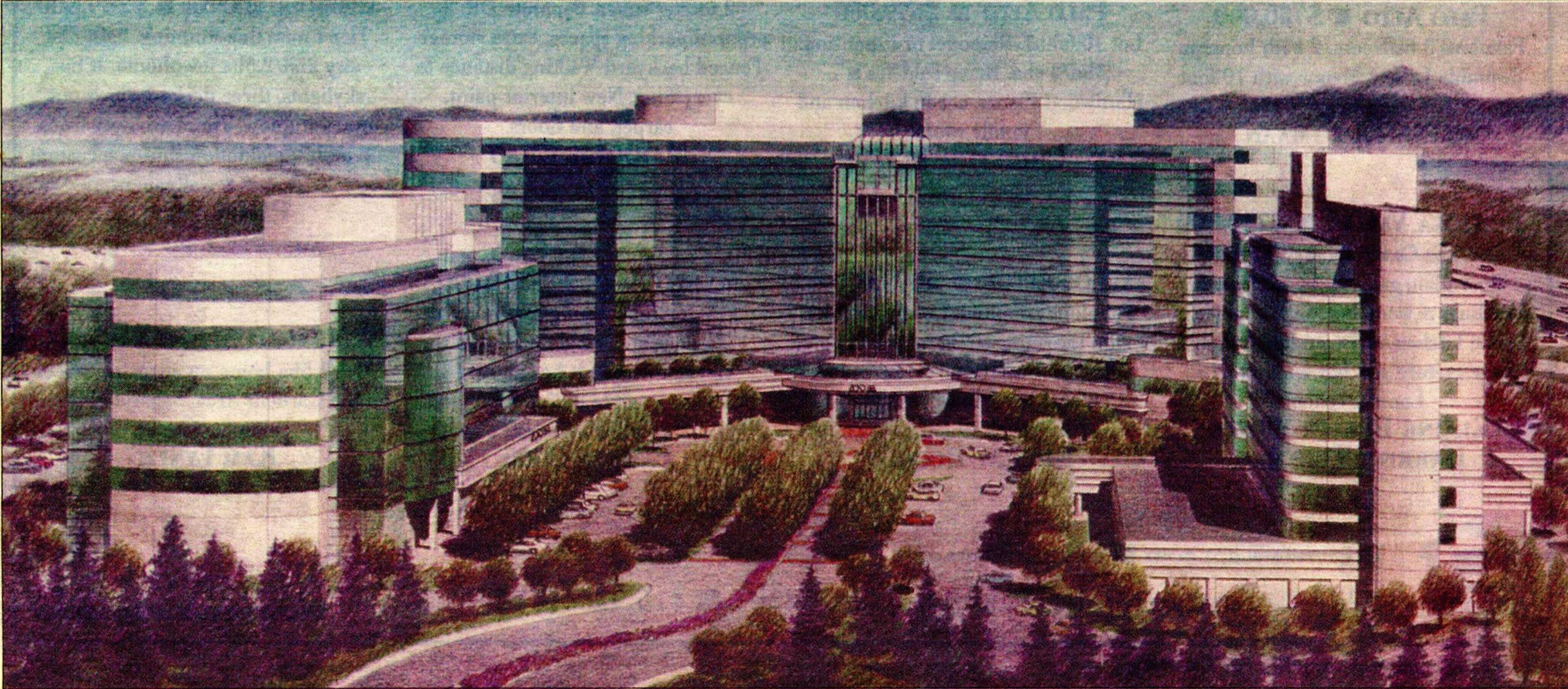
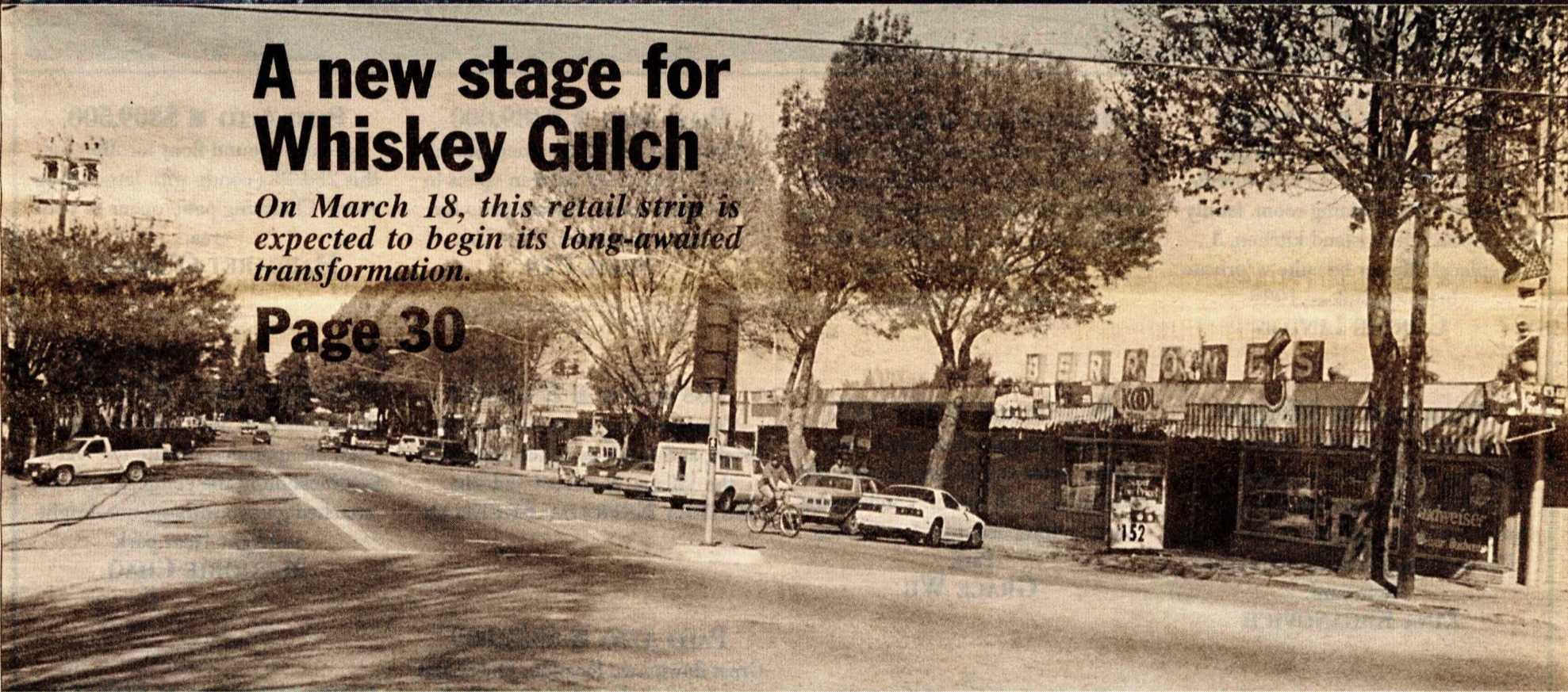
Serving Palo Alto, East Palo Alto, Menlo Park, Atherton and surrounding communities.



A new stage for Whiskey Gulch

On March 18, this retail strip is expected to begin its long-awaited transformation.

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The end of the road for Whiskey Gulch

On March 18,

East Palo Alto's retail strip is expected to begin its long-awaited transformation into University Circle

by Don Kazak

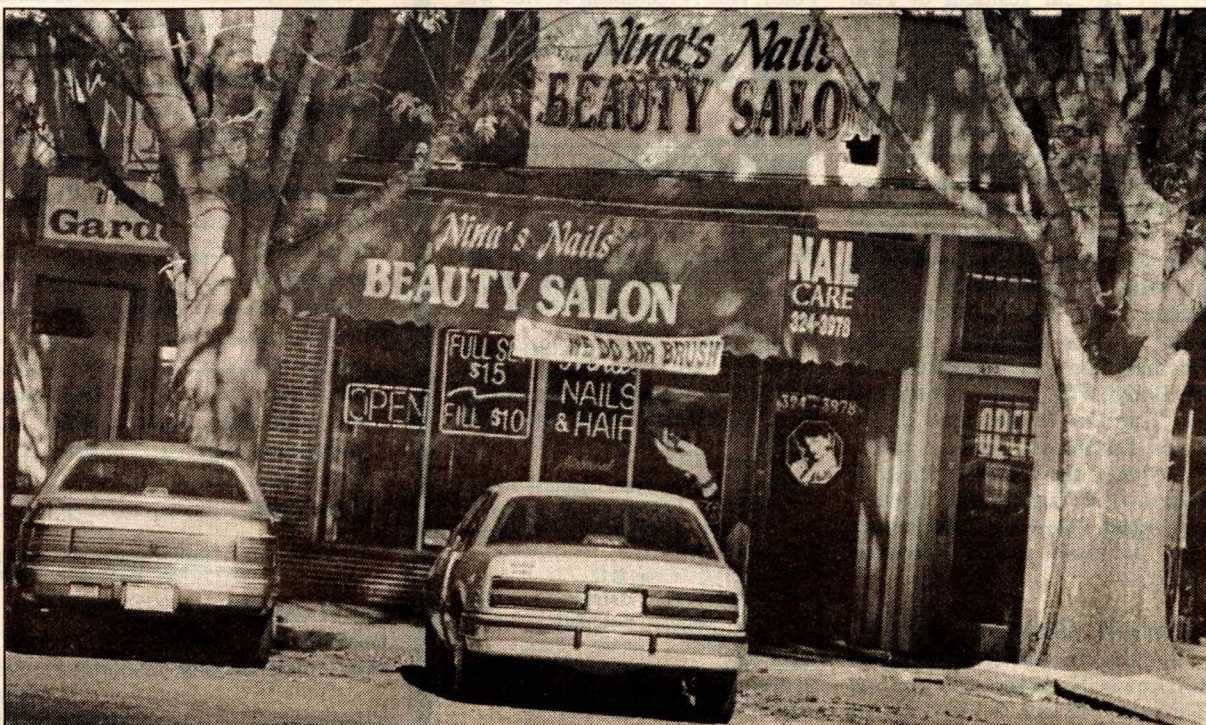


Eva Soos



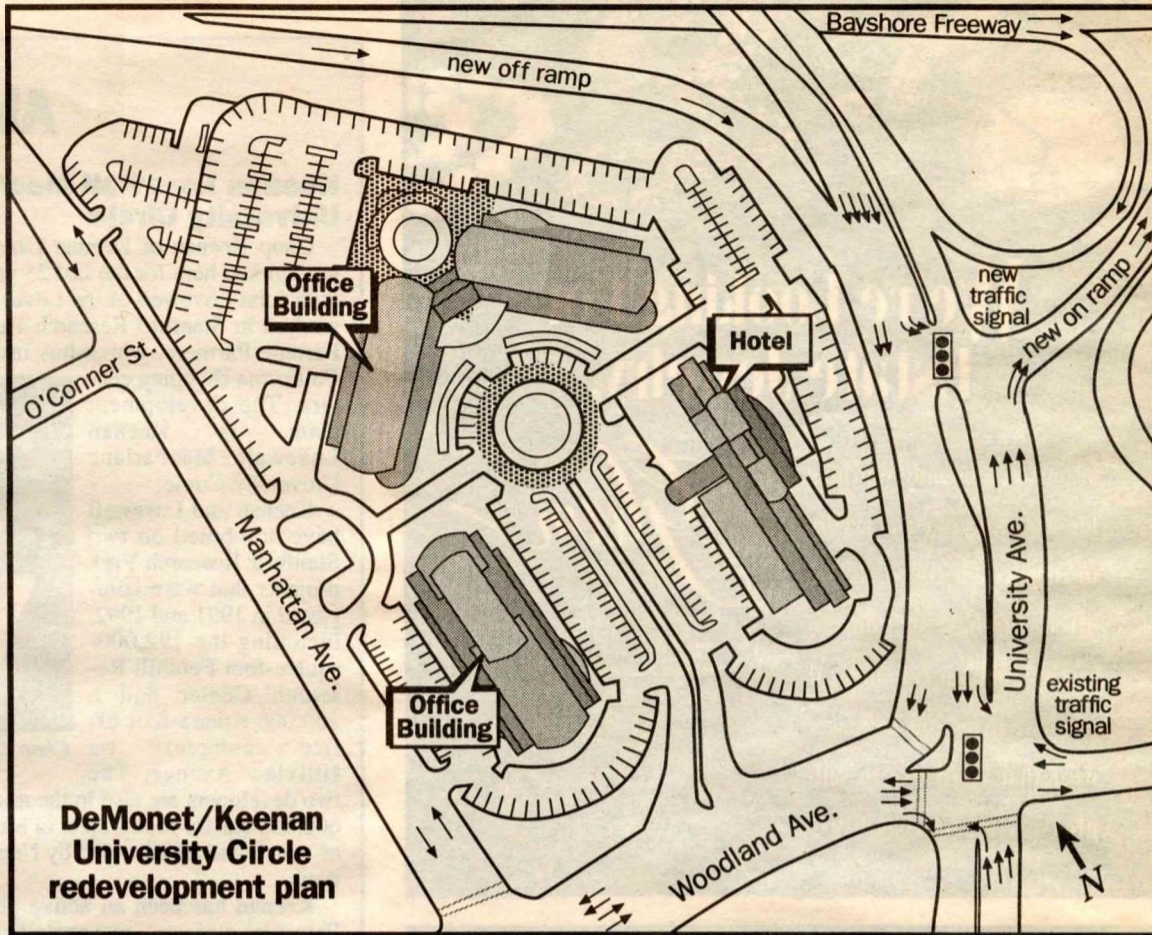
File photograph

The sleepy, small-town atmosphere of Whiskey Gulch, at right and above, will likely make way for a large office and hotel complex. In the years before construction of the Bayshore Freeway, the old Bayshore Highway ran through the middle of the business district, above right.





Eva Soos

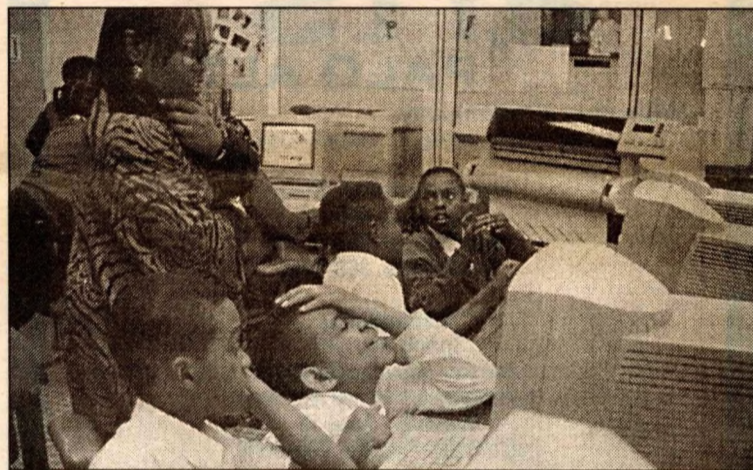


Shannon Corey

The above map shows the office and hotel complex that developer Joaquin de Monet proposed to build in 1991, replacing Whiskey Gulch. One of the University Circle applicants, Chop Keenan, has told the city that he essentially wants to build the DeMonet project.



Eva Soos



Eva Soos

Top left, Mayor R.B. Jones and Vice Mayor Sharifa Wilson, at right, chat with local residents Charles Perry, left, and Cedric Geegan on University Avenue. Left, store owner Eddie Adams says something needs to be done to replace Whiskey Gulch. Above, Nobantu Ankoanda, the executive director of Shule Mandela Academy, visits Plugged In on University Avenue with some of her students, from left, Si Sabiqi, Senowothi West, Sentwaki Ward and Itola Williams.

“I shouldn’t be the one to stop progress,” said Eddie Adams from behind the counter of his store, West Sounds, at 1957 University Ave.

He has owned this record and gift store for 26 years. But he’s probably going to be selling records somewhere else soon. He says it’s in the city’s best interests for him to leave. “The city won’t make money if it stays the same,” Adams said of the area outside his door. “It can’t stay like this.”

Adams’ store is part of Whiskey Gulch, a strip of retail buildings between the southbound exit from Bayshore Freeway and the Palo Alto border that has been targeted for redevelopment.

Many of the modest storefronts that line the 1900 block of University Avenue go back 70 years, easily pre-dating the creation of the Bayshore Freeway, which split and contributed to the demise of a thriving business

district more than 40 years ago.

Although its name harkens to post-Prohibition years when bars and liquor stores were allowed to spring up just outside alcohol-free Palo Alto and Stanford University, Whiskey Gulch’s most thriving businesses today—though fewer in number—still are those that deal in libations.

“We want to tear down all these liquor stores,” said East Palo Alto resident Earnestine Goodspeed as she walked out of one store. “We want to have a safe and successful community we can live in.”

“The streets are not taken care of, and the area looks dormant,” said Adams. “People don’t want to come here (to shop).”

It is, however, East Palo Alto’s largest and most viable business district and provides about 30 to 40 percent of the city’s sales tax revenue each year, said Bob Beyer, the city’s project director of the nearby Gateway redevelopment project.

That’s not much, considering that

the city is receiving only \$240,000 in sales tax revenue this fiscal year. But proportionately, Whiskey Gulch has been about as important to East Palo Alto’s total sales tax base as Stanford Shopping Center is to Palo Alto’s.

“It’s probably one of the best intersections in the Bay Area.”

—Linda Law of Circle Partners of Menlo Park.

“I don’t like (the proposed development), but I think it is a necessity,” said Diana Bloch, an East Palo Alto resident, after lunch at one of the corridor’s small restaurants. “I would prefer to have the small businesses stay,” she said. “They are a vanishing breed.”

Merchants and residents here are not sure what is coming and when. But they know change is in the air—massive change. From the looks of

the proposals submitted so far, the development is probably going to be at least 600,000 square feet, twice the size of the Palo Alto Square complex at Page Mill Road and El Camino Real. It will probably include about 400,000 square feet of office space and a hotel with more than 200 rooms catering to business travelers at a cost of about \$140 a night.

A project of this scale would result in the removal of not only the businesses but the entire street and would require the construction of a new off-ramp from southbound Highway 101 to University Avenue.

That’s what developer Joaquin de Monet was proposing to build until his plan was derailed by a lawsuit in 1993 and a decision by Adobe Systems, the project’s main prospective tenant, to pull out. The project sat shelved for the past four years.

Now suddenly, in the past six weeks, the city has received two unsolicited proposals to redevelop Whiskey Gulch, and the City Council

has decided it will pick a developer as early as March 18.

The details of the project will be worked out over the next eight months or so, said Mayor R.B. Jones.

“It would be nice for it to happen,” said East Palo Alto resident Kenneth Booker as he looked around the University Avenue corridor. “We need the money.”

But Whiskey Gulch is more than just bricks and mortar, merchants note. And some of those intangibles will be hard to replace.

“There is a sense of camaraderie, of friendliness (on the street),” said Ken Harris, whose Century 21 real estate office is located there.

If a project is built, the store owners will be relocated and compensated, as will the residents of about 98 apartments on Manhattan Avenue whose buildings back onto the alley between Manhattan and University.

The City Council changed the offi-

(continued on next page)

About the developers

Keenan Lovewell MacFarlane University Circle

Chop Keenan of Keenan Land Co. in Palo Alto has worked here for the last 25 years. He is teaming with John Lovewell of the Lovewell Co., which has worked in Stanford Research Park, and with MacFarlane Partners, which has invested in Southern California shopping centers. The development team is Keenan Lovewell MacFarlane University Circle.

Keenan and Lovewell have combined on two Stanford Research Park projects that were completed in 1991 and 1992, including the 192,000-square-foot Foothill Research Center and a 205,000-square-foot office complex on Hillview Avenue. The two developers are also in the midst of completing a 600,000-square-foot project in Mountain View, most of which will be occupied by Netscape Communications.

Keenan has been an active player in downtown Palo Alto projects, most recently converting the former Varsity Theater into Border's Books & Music.



Chop Keenan

Circle Partners

Circle Partners is based in Menlo Park and led by developer Linda Law of Law and Associates.

Other members of the Circle Partners team include Sandy Sloan, who is Portola Valley's city attorney and was formerly assistant city attorney for the city of Palo Alto, and Lee Thompson, who was formerly senior university counsel at Stanford University. The architects are Robert A. Bracamonte of the Los Altos firm of Ehrlich-Rominger and Allison Williams of AI Architecture of San Francisco. Janet Griggs of Law and Associates is the team's hotel specialist.



Linda Law

Law's firm has worked with a number of high-tech companies. Law has worked in real estate for 22 years and has worked for three large development companies: the Republic Investment Fund, the Sammis Company and the Myers Group.

Among the projects Law has worked on as a developer are a 500,000-square-foot office complex in Richmond, a 250,000-square-foot San Francisco Federal Savings complex, and various projects for Hewlett-Packard Co. ■

—Don Kazak

Whiskey Gulch

(continued from previous page)

cial name of the area to "University Circle" back when it was reviewing the DeMonet plan years ago. But to many, including those who live and work there, it is still known by its traditional name. But that will change when a new project is built.

"The bulldozers are going to come, that's inevitable," Harris said.

As of Friday's deadline for proposals, East Palo Alto had only received the two unsolicited applications for development of Whiskey Gulch—one from Circle Partners, headed by Linda Law, and the other from the Keenan Lovewell MacFarlane University Circle partnership, headed by developers Charles "Chop" Keenan—based in Palo Alto—and John Lovewell of Atherton.

City officials had expected to receive more proposals when it set the Feb. 28 deadline. Several other large development companies had expressed an interest to submit proposals, but three of them—Trammel Crow of Foster City, McCandless Companies of Santa Clara, and Pacific

Union of San Leandro—sent letters to the city last week saying they would not be submitting proposals.

But city officials aren't disappointed with only two proposals. "No, I'm not," Mayor R.B. Jones said. He said he thought the Keenan and Circle Partners groups were far ahead of the other potential developers in planning a project.

"This is a massive project with massive potential for East Palo Alto," Jones said. "I think either one (of the developers) can deliver."

The Keenan proposal, submitted on Jan. 20, is straightforward: He wants to pick up where DeMonet left off. He seeks to build the scaled-down project that the developer had agreed to as part of a settlement with the city of Palo Alto and Crescent Park neighbors five years ago.

That project calls for a 10-story, 230-room hotel with 7,200 square feet of meeting facilities, plus a ballroom that would accommodate 750 people. The project—called "University Centre"—also calls for 475,000 square feet of office space in two buildings, one nine stories tall and the other six stories tall.

At the same time, Circle Partners is proposing 380,000 square feet of

offices in two buildings no more than five stories high and a seven-story, 240-room conference hotel with about 62,000 square feet of conference facilities.

Circle Partners also would include about 15,000 square feet of retail stores, so not all the existing business may have to be relocated across the freeway.

The main physical difference between the two proposals is the inclusion of a 40,000-square-foot training center in the Circle Partners proposal. The center would focus on computer technologies and what the Circle Partners' proposal calls "21st century jobs" instead of more traditional vocational training.

"A certain percentage of training space will be donated to non-profit community development organizations that promote job training and entrepreneurial enterprise," the Circle Partners proposal reads.

Circle Partners cites Plugged In, an East Palo Alto nonprofit computer training organization, as "an excellent example of this type of organization." Plugged In occupies four buildings in Whiskey Gulch and would be displaced by the University Circle development.

SQUARE FOOTAGE

	Hotel	Office	Retail	Training Center	TOTAL
KEENAN	187,370	474,689	-0-	-0-	662,059
CIRCLE PARTNERS	177,000	380,000	15,000	40,000	612,000

PROJECTED ANNUAL REVENUES

	Property Tax	Sales Tax	hotel Tax	Total Annual Revenues
KEENAN	\$1,565,000	\$32,080	\$764,000	\$2,361,080
CIRCLE PARTNERS	\$975,000	\$1,313,000	\$806,000	\$3,094,000



EVA SOOS

Circle Partners development team members, from left, Lee Thompson, Linda Law and Sandy Sloan talk about their project while visiting Whiskey Gulch.

In a Feb. 28 letter to the East Palo Alto Redevelopment Agency, Keenan's proposal takes note of the training facility in the Circle Partners' proposal, and claims that such a training center is not realistic.

"Alternative proposals to include a training center at this site are uneconomic and illogical on their face," Keenan's proposal states. "University Circle will be very expensive to develop, and should be designed to maximize revenue to the city."

Keenan's proposal goes on to say that a job center needs more parking spaces than other uses, which in Keenan's view adversely impacts the University Circle plans. Instead, Keenan's proposal suggests that a training facility could be more easily built elsewhere in the city, such as at Ravenswood Industrial Park.

But what will be closely examined by city officials are the differences in the finances.

Under Keenan's proposal, the hotel to be built would charge an average of \$140 a night. Based on that,

the hotel can be expected to generate \$764,000 a year in hotel tax. His plan also anticipates \$32,000 a year in sales tax revenue and \$1.57 million in property tax revenue.

"Any alternative proposals must involve a delay of at least two to three years to design, review and approve a new project."

—Feb. 28 letter from Keenan and Lovewell to East Palo Alto Redevelopment Agency

That means the Keenan-Lovewell proposal anticipates generating a total of \$2.36 million a year in tax revenues its first full year of operation.

"There may be additional revenue to the city from the office buildings if we are successful in attracting one

or more sales offices for high technology companies," Keenan and Lovewell note in their financial information submitted Feb. 28.

Meanwhile Circle Partners contend their plan would generate \$3 million a year in revenues. This would include \$1.3 million in sales tax, \$975,000 in property tax and \$806,000 in hotel tax.

There is a higher sales tax revenue estimate from Circle Partners because they want to build a conference hotel, which would generate more sales tax dollars than a traditional hotel. "The key to building hotels is niche marketing and seeing what demand hasn't been met," said Janet Griggs of Circle Partners. "And a conference hotel makes the most sense (on the Midpeninsula). With state-of-the-art conference facilities, Stanford would be an excellent source of business, especially on weekends."

Why suddenly all of the interest by developers in Whiskey Gulch?

Ask any commercial real estate broker. Silicon Valley companies are expanding and demanding space at an alarming rate. And the developable commercial land is at a premium. (See related story below.)

Whiskey Gulch is located right at on- and off-ramps from southbound Bayshore Freeway, which makes it attractive to developers.

"It's probably one of the best intersections in the Bay Area," said Linda Law of Circle Partners of Menlo Park.

"It seemed like a logical time and a logical place for something to happen," said Sandy Sloan, an attorney for Circle Partners.

Whiskey Gulch was on the city's planning schedule, a schedule that has now been thrown away. The city

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Skyrocketing demand for office space, hotel rooms fuels interest in University Circle

Average rent for offices has increased from 50 cents a square foot three years ago to \$3.25, according to industry advocate

The developer attention on Whiskey Gulch is being fueled by a booming economy in Silicon Valley, which is creating great demand for both office space and hotel rooms.

"We're seeing an incredible increase in demand for office space," said Leslee Coleman, director of transportation and land use for the Santa Clara Valley Manufacturing Group, an industry advocacy group. "There used to be two years of available space, for planning purposes, but it's more like six months now," she said.

As a result, rental rates for office space are also skyrocketing. Coleman said that the average rent for offices in Silicon Valley was 50 cents a square foot three years ago. Now, new offices rent for as much as \$3.25 a square foot.

"We've added about 100,000 jobs in the last two years," Coleman said. "It's kind of at breakneck speed. Big companies are expanding, small companies are expanding, and there's a clamoring for more space."

Scott Carey, president of Cornish & Carey Commercial Real Estate, said he hasn't seen a thirst for of-

fice space like this in the past 30 years in Silicon Valley. Plus, Carey added, southern parts of Santa Clara County are simply running out of land, and developers are looking for new places to build, such as Whiskey Gulch.

"When you have vacancies of less than 5 percent, you're limited to where you can go, especially when you need large blocks of space," said Alan Pontius, the regional manager of Marcus & Millchap in Palo Alto, a real estate brokerage firm.

Linda Law of Circle Partners agrees that the demand for office space is unprecedented. Law, who has worked with high-tech companies like Sun Microsystems, Cisco Systems, Informix, U.S. Robotics and others over the past two decades, said there is a scramble for space going on.

Law said she knows of one law firm that needs to expand but can't find any office space, so the firm is considering moving into a warehouse. "Things will remain hot," Law said.

If there is such a demand for office space, why do both Keenan and Circle Partners want to include

a large hotel in their projects? Demand for top-tier hotel rooms in the Midpeninsula is also booming.

"There are times when you can't get a room on the Midpeninsula," said Janet Griggs, the hotel consultant to Circle Partners.

Business hotels are often running at 100 percent occupancy on the weekends, and 75 percent overall. Five years ago, Griggs said, the local hotel occupancy rate was about 60 percent.

The Palo Alto area went through a hotel building boom a decade or so ago when the Stanford Park Hotel in Menlo Park and Garden Court Hotel in downtown Palo Alto opened. At the same time, the Palo Alto Holiday Inn expanded.

Soon after that the market fell. As a result of an economic slump in the valley and a glut of hotel rooms on the Peninsula, occupancy rates plummeted.

"The strength of the economy has rebounded in a way we haven't seen before," Griggs said.

Both Keenan and Circle Partners estimate the city will get about \$800,000 a year in hotel taxes. ■

—Don Kazak

Whiskey Gulch

(continued from page 33)

had been intending to start that planning process in January or February, City Manager Jerry Groomes said late last year.

That planning process was to include property owners and residents, along with Palo Alto and Menlo Park officials. Officials from the three cities already had held informal talks on a planning process to design a project that would benefit all three cities.

"My sense was that Palo Alto, Menlo Park and East Palo Alto would concoct a plan for a neighborhood commercial development," said Menlo Park Mayor Steve Schmidt. "But the economy is driving this."

A neighborhood commercial development in Whiskey Gulch "is a fabulous idea," Carol Jansen, Palo Alto's manager of economic resources, said late last year.

But that was before Keenan and Lovewell changed the stakes by dropping an unsolicited proposal on city officials on Jan. 20.

How much community interaction can be anticipated if the Keenan plan is accepted is in question. Keenan and Lovewell have indicted they have secured the right of first refusal from Joaquin de Monet and they are trying to push through their project as quickly as possible. In fact, it is clear they hope the need for urgency favors their plan.

"Any alternative proposals must involve a delay of at least two to three years to design, review, and approve a new project," the developers note in their Feb. 28 letter to the Redevelopment Agency. "The city would be exposed to additional legal and community action, as all the same traffic, environmental, and community interest issues are re-hashed again. Most importantly, the city would lose, once and for all, at least \$4.6 to \$6.9 million in property tax, sales tax, and hotel tax revenue as a direct result of the delay."

So far, Keenan has been using the designs developed by the architecture firm Hoover Associates of Palo Alto in 1991 as his idea of what his project will look like.

Keenan declined to talk about his proposal for this story.

Circle Partners has not released whatever design plans the group has. The partners want to have the community involved in designing what they want to build.

"We want to do a design charette and get community input," Law said. An architectural charette is a process where people come together and, in a free-flowing session, throw out ideas for a project. A team of architects then quickly sketches out what such a project could look like, given the ideas that were suggested.

It was 10 years ago this month that Joaquin de Monet of San Mateo-based DeMonet Industries submitted his plans for Whiskey Gulch. His original proposal called for two 18-story office towers and a 250-room hotel in the heart of 1.2 million square feet of office space.

City approval of that project led the city of Palo Alto and the Crescent Park neighborhood to file lawsuits that claimed the city's environmental impact report was flawed.

Those lawsuits were settled in 1992 when the project was scaled down to what Keenan now wants to build. DeMonet dropped that plan in

1993 following a lawsuit filed by a group of East Palo Alto property owners represented by the Palo Alto Community Law project. That suit also was settled.

But the settlements of those lawsuits can be expected to play a major role in what is built. The former stipulates that if East Palo Alto tries to build a different project than what Palo Alto and Crescent Park signed off on, more lawsuits could be filed.

A key issue in the property owners' lawsuit was a lack of an adequate relocation plan for residents and businesses that would be displaced, said Kevin Stein of the law project.

"We're concerned about the displacement issue with people who have lived here not being around to benefit from the city's success," he said.

"The city won't make money if it stays the same. It can't stay like this."

—Eddie Adams, owner of West Sounds shop in University Circle

Stein said the DeMonet process didn't include adequate relocation plans, which will be a concern this time around as well. "It depends on lining up replacement housing" for the people who live in the 98 apartments on Manhattan Avenue.

That may be an ominous factor, however. The city is already in the process of seeking replacement housing for more than 700 people from 135 apartments that will be demolished to make way for the Gateway shopping center across the freeway.

"It's obvious that the city needs the revenues," said Bart Decrem, the executive director of Plugged In, the nonprofit computer training agency on University Avenue. Plugged In gives children and teens a place to hang out and learn how to use computers.

"I personally have a preference to have all these stores revitalized," Decrem said, but he said he realized that wasn't realistic. "I just hope the city gets everything it can out of it."

The applause for the end of Whiskey Gulch isn't unanimous, though.

Nobantu Ankoanda, the executive director of the Shule Mandela Academy, said she doesn't care much for the idea of big office buildings replacing Whiskey Gulch.

"The city is too small for high-rises," Ankoanda said. "We can have a beautiful city without high-rises."

The East Palo Alto Merchants Association, which includes many Whiskey Gulch storeowners, hasn't taken any position on the University Circle proposals as yet. The group met Feb. 4 and decided to stay silent, for now.

"We're waiting to see what's on the table," said James Wilmore, the president of the merchants association. "We're following the city's lead for now and letting the City Council do its job."

One of the key reasons the city of East Palo Alto is expected to move quickly on this project is, as resident Kenneth Booker noted above, "We need the money."

The city is anticipating a \$1.2 million to \$1.4 million budget deficit for the fiscal year beginning July 1. Most of that is because the parcel tax, which produces \$1 million a year in



Above, from left, Jennifer Mendoza, Cynthia Greece and Anthony Mendoza play on Manhattan Avenue in Whiskey Gulch. Left, Concepcion Mendoza, mother of Jennifer and Anthony, carts home their clean laundry.

show that the city will receive between \$2 million and \$3 million a year in tax revenues. If Keenan's proposal is selected, he envisions completion by mid-1999.

But can East Palo Alto satisfy its financial needs while keeping neighbors in Palo Alto and Menlo Park and its own residents happy with the project it picks?

"I'm sympathetic to East Palo Alto's needs," said Menlo Park Mayor Schmidt. "We'll do what we can to cooperate with East Palo Alto."

"We had the same concerns we had last time," Palo Alto Mayor Joe Huber said, referring to the size and impacts of a project. "The city will have a strong interest in what happens, and so will Crescent Park."

"We certainly recognize East Palo Alto's right and need to develop," said Cathie Lehrberg, the president of the Crescent Park Neighborhood Association. "We would try to work with anyone who is developing to minimize the impacts on the neighborhood. But something needs to be done."

Schmidt noted that both his city and Palo Alto long ago absorbed land from what is now East Palo Alto. "East Palo Alto has been the victim of a lack of neighborliness from its neighbors," he said.

At the same time, though, Schmidt noted how the Bayshore Freeway, Willow Road and University Avenue "are all horribly congested. This

doesn't seem to be the greatest location for 450,000 square feet of offices."

Some East Palo Alto residents will also watch the University Circle planning process carefully, some even skeptically.

Realtor Ken Harris was the leader of the group that sued to stop the DeMonet project back in 1992. He, too, wants something to happen in Whiskey Gulch. "We're in a good situation," Harris said. "We have a gold mine."

But Harris also added, "Everyone is hoping the city will do the right thing," especially in coming up with an adequate relocation plan, but also in planning University Circle.

"We do anticipate a process that will include the community and provide an opportunity for some dialogue with Palo Alto and Menlo Park. We don't want to step in the same hole twice."

—East Palo Alto Vice Mayor Sharifa Wilson

Others feel that the city may be getting ahead of its residents, and even ahead of its own processes.

"I'm extremely concerned," said David Reyburn, the chairman of the city's General Plan Advisory Committee (GPAC). "If there was one thing GPAC was unanimous about, it is that the General Plan has to be the foundation for all development in the city, and the City Council now wants to bypass the General Plan," Reyburn said.

"We need to be involved in whatever planning goes on," said Leonard Randolph, executive director of the East Palo Alto Community Alliance & Neighborhood Development Organization (EPA CAN DO). "I'm hoping for a process that is more inclusive."

When City Manager Groomes reported on the two development proposals to the City Council last month, he concluded, "We clearly have an opportunity, and we should move forward."

The City Council agreed. But there were concerns. "We don't want to do anything to make the community think we are steamrolling anything through," Wilson said.

"I want something that enhances the city of East Palo Alto, not (just) somebody's pockets," said City Council member Myrtle Walker.

Jones estimated that the city is at least eight months away from a final decision on University Circle, partly because an environmental impact report must be completed and certified by the city before any project can be approved.

But a lot still needs to be worked out. "People are making a giant assumption that we will approve the DeMonet project," Wilson said, but that may not be the case.

Jones also thinks that people should have more confidence than they do in the ability of the city to, in Ken Harris' words, "do the right thing."

"We do anticipate a process that will include the community and provide an opportunity for some dialogue with Palo Alto and Menlo Park," said Wilson. "We don't want to step in the same hole twice." ■