

# Development knocks on East P.A.'s door

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East Palo Alto, which spent much of the past 15 years watching the Peninsula's building boom pass it by, today is tantalizing the commercial real estate industry with a pair of major project proposals and the possible opening up of the strip of land along the east side of Highway 101 to development.

A \$325 million office and entertainment complex has been proposed for the city's Whiskey Gulch district, on the west side of Bayshore Freeway near the University Avenue interchange.

On the east end of town, Sun Microsystems Inc. has promised the city nearly \$1 million and a new road connecting the Dumbarton Bridge with U.S. Highway 101 in return for approval of Sun's plan to build a 170-acre industrial park.

The city has offers from eight developers to build massive auto and shopping malls along the east side of the Bayshore Freeway.

"I think that everyone is starting to realize what a fine location East Palo Alto is," said San Mateo developer Joaquin DeMonet, who came to the city in 1987 with his University Center proposal for the Whiskey Gulch area, the first project pitched to the city.

The 6-year-old, predominantly black and Hispanic city wants to expand its tax base, attract retail stores, end its chronic budget shortages and quell its reputation as a haven for drug dealers.

But the projects face stumbling blocks — big ones.

The University Center project, which would be built in a redevelopment district the city formed in December, calls for two 18-story office towers, a 250-room hotel, a 10-screen movie theater and 340,000 square feet of retail space. DeMonet projects it would pump \$699,000 a year in sales and hotel

tax revenues into city coffers.

The project is currently tied up in lawsuits filed by Palo Alto and the Crescent Park Neighborhood Association, which fear the development will snarl traffic.

Sun is hoping to get a redevelopment district of its own. In February, the city created a survey area in the neighborhood, the first step toward establishment of a redevelopment district.

With a redevelopment district, the city could assemble a large parcel for development by forcing property owners to sell out to the city. The city would then sell the property to a developer.

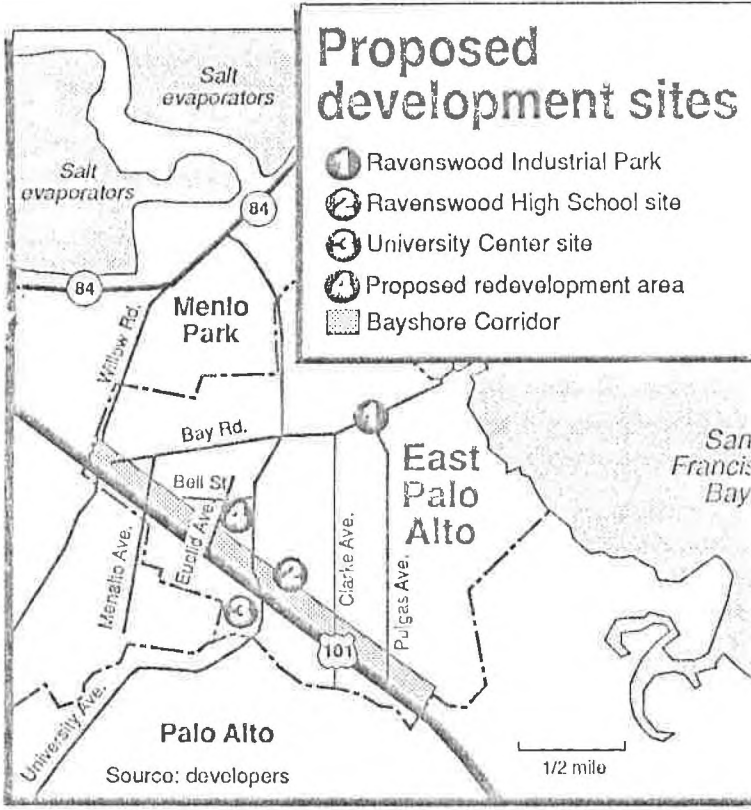
In return, the city could obtain a range of benefits from the developer by requiring everything from developer-built housing and community centers to payment of administrative costs of the project.

The Sun project would gobble up land owned by a patchwork of small-business people. Twenty-nine of those business owners have formed the Industrial Property Owners Association of East Palo Alto and say they are more interested in marketing their property themselves than in losing it to Sun via eminent domain proceedings.

Suitors for the highway corridor have made offers to build a shopping and auto dealership mall that would exceed 1 million square feet — in the same league, size-wise, with Stanford Shopping Center.

Estimates of the city's share of annual sales tax revenues from such a shopping center run from \$1.9 million to \$5 million.

Possible redevelopment areas could include the entire length of Bayshore Road, which parallels the freeway from the Menlo Park to Palo Alto border, the site of now-closed Ravenswood High School and an area bounded by Bayshore, University Avenue, Bell Street and Euclid Avenue.



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