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The collapse of law firm Brobeck, Phleger & Harrison has some worried about this complex called University Circle.

## EAST PALO ALTO: CITY HOPEFUL IT'LL FIND NEW TENANTS.

By **Thaai Walker and Steve Johnson**

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In East Palo Alto, news of the collapse of law firm Brobeck, Phleger & Harrison raised fears about the possibility of a prominent building sitting vacant. But city leaders say they are optimistic that the site's quality and location will attract new tenants, despite the deflated office real estate market.

Brobeck has been the anchor tenant in the \$260 million office complex known as University Circle, which lies on the west side of Highway 101 at University Avenue. The development includes three upscale office buildings clad in Italian marble. It is built on a redevelopment site that once encompassed a retail strip known as Whiskey Gulch.

The firm, which relocated from Palo Alto last year, occupied an entire six-story building and had planned to sub-lease two floors to dot-coms, but that never materialized.

Brobeck has not been forthcoming about its plans for the East Palo Alto

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— INTERIM CITY MANAGER SANDY SALERNO

# BROBECK | Leaders optimistic

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office, but city leaders assume that the firm's collapse means it will vacate the building soon.

While disappointed at the loss of jobs and prestige that came with being able to say the working-class city was home to the elite law firm, city leaders said they do not consider the firm's departure a crushing blow.

And, they added, plans are still under way for other development projects, including an Ikea home-furnishing store scheduled to open this summer, a Four Seasons Hotel scheduled to break ground in the University Circle development in April and a five-story office complex less than a half-mile from the Brobeck site.

### Not a reflection

"They don't produce any sales tax or anything like that so in that regard, there's no direct impact," interim City Manager Sandy Salerno said of Brobeck. "They were a signature firm, there's no doubt about it, but what has happened speaks more to the bleak economic times than anything else. It's not a reflection on East Palo Alto."

A Brobeck departure could affect local residents. At least one local janitorial service and a local caterer reportedly had

accounts with the firm. It's unknown how many other East Palo Alto companies worked there.

Linda Law, whose development group built the 450,000-square-foot University Circle complex, could not be reached for comment about Brobeck.

Lucy Moreno, University Circle's property manager, and Brobeck spokesman John Pachtner also declined to discuss the impact of the firm's collapse on the properties or details of Brobeck's lease.

But Howie Dallmar, a senior vice president with Cornish & Carey Commercial, which is helping find tenants for the buildings, said there was little reason to panic.

Dallmar acknowledged that a decision by Brobeck to completely vacate the complex could cause problems for Law.

"Anytime a large user is considering leaving a project, it's a concern of the landlord," he said. In addition, landlords usually must continue paying property taxes on their buildings, even if the structures are empty.

Nonetheless, Dallmar said, it's standard procedure for building owners to get security deposits from tenants in case leases are broken, though he declined to comment on what sort of deposits might have been required at Univer-

sity Circle.

Besides, Dallmar said, agreeing with city officials, the buildings are so attractive and well-located that they will probably lure other tenants. Three floors of one building are leased by the law firm Bingham McCutchen. And two floors recently were leased by another law firm — Dewey Ballantine — which Dallmar said plans to move in this summer.

### Deal signed in 2000

Dallmar declined to discuss terms of Brobeck's lease. But the deal, which Brobeck signed in 2000, reportedly was for 12 years at about \$4 a square foot each month. Cornish & Carey currently lists the building's rates at \$3.75 to \$3.95 a square foot.

Even if Brobeck vacates its 190,000 square feet of offices, the impact on the overall office vacancy rate would probably be slight. San Mateo County has more than 8 million square feet of vacant offices, according to BT Commercial Real Estate. Of that, more than 6 million square feet consist of fancy "Class A" buildings, such as those at University Circle.

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