

# East Palo Alto Struggles With Success

## Economic boom upsets balance of power

By Alan Gathright

CHRONICLE STAFF WRITER

After battling crime and poverty for 17 years, East Palo Alto is facing perhaps its toughest survival test: success.

As long-sought redevelopment

### INSIDE

► Corruption case against councilman growing.

A15

economic pressures roiling California. It is a story of a high-tech boom that is enriching some while driving out others and a test of whether the state's increasingly influential minority groups will battle over politi-

cal power — or share it.

The city that long struggled for a ripple of Silicon Valley prosperity suddenly has been slammed by a tidal wave. While outsiders avoided East Palo Alto during the crime-plagued early 1990s, developers, retailers and house-hunters have since created a gold rush stampede toward the city, which offers the last stretches of open and relatively affordable land on the Peninsula.

Now corruption probes are tarnishing the city's rising star and threatening the fragile political unity. In a town where African Americans have long dominated the City Council, some Latinos, the new population majority, are saying they have been denied their share of the

► **EAST PALO ALTO:** Page A15 Col. 1



CARLOS AVILA GONZALEZ / The Chronicle

Prospective home buyers toured a new development in East Palo Alto.

# City Struggles With Newfound Wealth

PALO ALTO  
Page 1

fattened pie.

East Palo Alto is "like many cities will be in California's future," said Ruben Abrica, a school board member who served as the city's only Latino council member when it incorporated in 1983.

"We all have to try to work to make sure that all communities are represented in local government, because that helps the whole body politic," Abrica said. "Otherwise, resentments fester."

The federal and county corruption probes have stoked long-simmering suspicions that East Palo Alto's proud dream of economic independence has been betrayed by officials helping themselves instead of the public.

Powerful City Councilman R.B. Jones has been charged with brazenly shaking down two firms for kickbacks while bragging of his ability to "conceal bribe payments." The expanding federal investigation alleges that Jones was involved in wide-ranging extortion of city contractors and that he once "threatened" a police lieutenant. Jones allegedly told the lieutenant last year to halt crack-downs against social clubs where illegal alcohol sales, gambling, narcotics and prostitution have

occurred, according to court records.

Meanwhile, longtime Ravenswood School District Superintendent Charlie Mae Knight has been indicted by the San Mateo County grand jury for using an



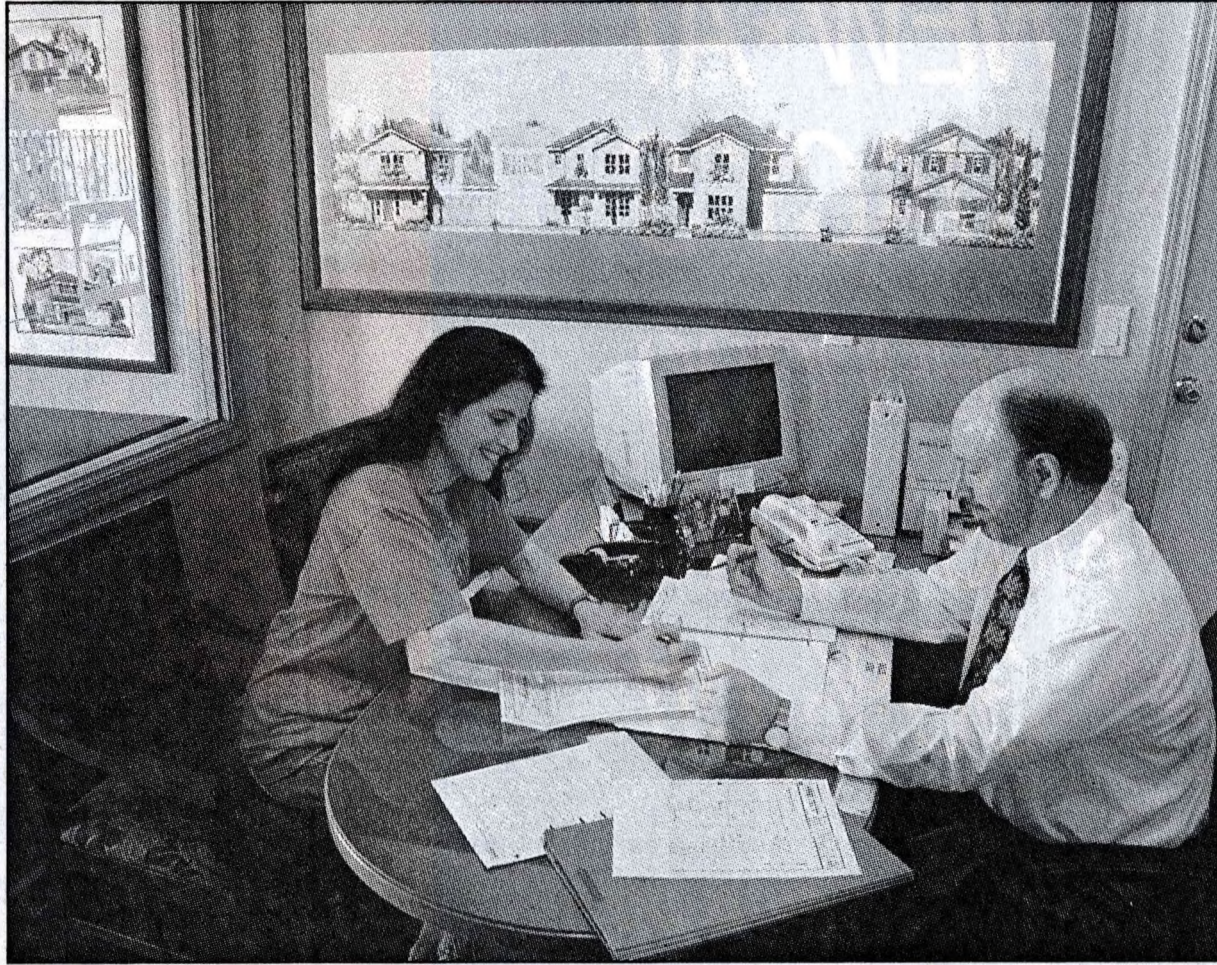
Charlie Mae Knight

employee emergency loan fund to funnel money into her six rental properties and other real estate investments in the city. Knight acknowledges her East Palo Alto properties alone total more than \$1 million.

## School Official Under Fire

Knight said she is being persecuted for helping employees cope with the Bay Area's soaring cost of living in a city where there are no banks or credit unions, and the "working poor" have trouble getting credit.

"I'm getting tarred and feathered for investing in this area when no one else would," said Knight, 68. She added that she used inherited money to buy cheap property when



CARLOS AVILA GONZALEZ / The Chronicle

have quickly resolved an investigation that has been going off-and-on since 1994.

"In little old East Palo Alto, with all the all things that we have to work on and with all obstacles we face, to have investigations drag on for years without resolution is counterproductive to the welfare of the whole community," he said.

But federal and local investigators stressed that both probes were sparked by complaints from city contractors, school district employees and parents who were outraged that officials were abusing "the public trust," as San Francisco FBI spokesman Andrew Black put it.

"Knight's defenders are portraying her as a woman who has taken a vow of poverty so she can help the poor and downtrodden. Well, she's far closer to a rich landlord than Mother Teresa. She's worth millions," said a law enforcement source, who spoke on the condition of anonymity.

## 'A Piece of the Pie'

East Palo Alto's rising stakes helped prompt citizens to speak up, said San Mateo County Chief Deputy District Attorney Steve Wag-



JUSTIN SULLIVAN / The Chronicle

to creating safer streets, the city required local-first hiring at the Ravenswood 101 Retail Center, which meant 80 percent of the jobs there are now held by residents. The construction of the largest residential project in city history, set to open next spring, will include a 129-unit apartment complex, where city residents or workers will have priority to rent half the units at affordable rates.

Hudson pointed to Belinda Rosa-

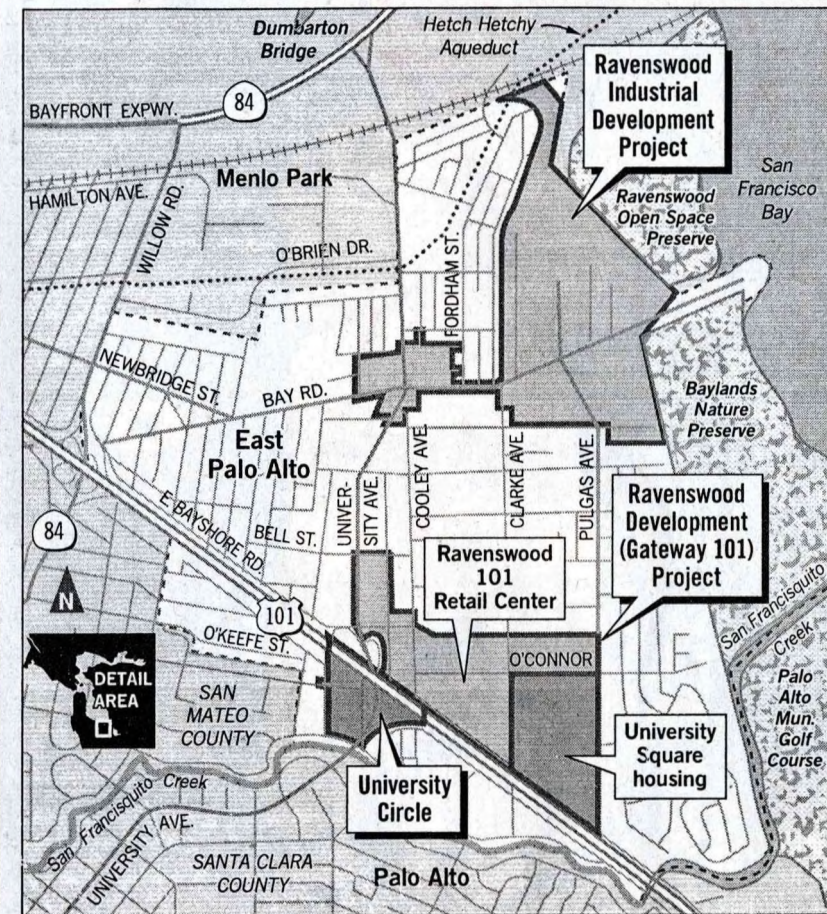
housing, as an emerging Latino leader shaping city redevelopment.

Rosales said Latinos "are among the largest group of homeowners and business developers in the city." But, she added, some Latinos who owned land in redevelopment zones "did lose out on some" when it came to getting fair-market value for their property.

Abrica, the former councilman, criticized the city's poor response to

**Signature Homes agent Jim Coleman (above) helped Marlene Santilli with a contract for her new East Palo Alto home. Richard Reyes (left) believes City Council members have shortchanged East Palo Alto's Latino community.**

## EAST PALO ALTO REDEVELOPMENT AREAS



Chronicle Graphic

"bullying" and "underhanded."

He cited a 1997 incident in which officials suddenly ordered Latino families out of an apartment building where health and safety violations had been ignored for years. Last year, the apartment landlord won a \$2.4 million lawsuit judgment when a judge ruled that, by evacuating the tenants and billing the landlord for putting them up in motels, Wilson had made good on a "threatened" retaliation against the owner for rejecting the city's \$1.1 million redevelopment buyout.

Wilson, who decried the building as a vermin-infested "slum," flatly denied ever threatening anyone.

Abrica said he is also disappointed the City Council thwarted two opportunities to appoint Latinos to council vacancies, including R.B. Jones's unsuccessful nomination of Rosales for an opening last year.

But Rosales stressed: "Until Latinos start to realize that they are the community and become part of that political process, that representation won't happen."

While African American leaders vow to allay citizens' distrust with public forums, Tony Tanke, the attorney who helped homeowners

*"We're even starting to see black support come this way, because they're looking for new leaders who will treat them with respect, be honest and work for the betterment of the community instead of themselves."*

JOSE BELTRAN  
City Council candidate

landscape will come from newcomers buying houses in the University Square redevelopment for nearly \$700,000 apiece.

"These people who have paid a tremendous amount of money for their houses are going to walk in there, take one look around at the government, and say, 'We don't want things run like this anymore.'"

Chronicle staff writers Carolyn Zinko and Marshall Wilson contributed to this report.

Telephone Alan Cathright at

million.

### School Official Under Fire

Knight said she is being persecuted for helping employees cope with the Bay Area's soaring cost of living in a city where there are no banks or credit unions, and the "working poor" have trouble getting credit.

"I'm getting tarred and feathered for investing in this area when no one else would," said Knight, 68. She added that she used inherited money to buy cheap property when she arrived as schools chief in 1985 and always charged tenants below-market rents.

"If our (conflict-of-interest) laws are so fragile that it's illegal for a superintendent to try to help impoverished people, then maybe we ought to look at the laws. But it will not stop me. . . . Somebody needs to stand up for the working poor," she said.

Defenders of Jones and Knight blame the prosecution of two prominent African American leaders on the institutional racism of law enforcement agencies and a small town rife with bare-knuckle infighting, rumor-mongering and political intrigue.

Abrica, the school board member, said the district attorney should

ing ner as a woman who has taken a vow of poverty so she can help the poor and downtrodden. Well, she's far closer to a rich landlord than Mother Teresa. She's worth millions," said a law enforcement source, who spoke on the condition of anonymity.

### 'A Piece of the Pie'

East Palo Alto's rising stakes helped prompt citizens to speak up, said San Mateo County Chief Deputy District Attorney Steve Wagstaffe. "That's usually how corruption complaints come to us: when somebody who wants a piece of the pie and is not getting it and they see someone else unfairly getting something."

Latino leaders sense an opportunity to shake up the political hierarchy, with three seats up for grabs in the November election. Claiming they have a list of more than 1,600 registered Latino, Asian and Pacific Islander voters, they say galvanizing the city's disaffected minority groups could sway the city's traditionally low election turnout.

"We're even starting to see black support come this way, because they're looking for new leaders who will treat them with respect, be honest and work for the betterment of the community instead of themselves," said Jose Beltran, 45, a property manager, who's part of a three-Latino City Council slate.

A group of Latino residents has started a recall of Mayor Sharifa Wilson, accusing the African American leader of discriminating against Latino landowners and "giving the town away" in redevelopment deals that enriched outside developers. Wilson's critics are trying to hold her responsible for a decade of decisions by the five-member council, including levying an illegal parcel tax that was struck down in court. They are also angry that she initially opposed the recent repayment of \$4.5 million to property owners.

"Sharifa Wilson has sold the Hispanics and the whole city out," said Richard Reyes, 70, a retired property manager leading the recall.

Wilson dismissed both Latino and black critics as a handful of "opportunists" who, emboldened by the corruption investigations, "think it's a ripe time to stand up and say things about me." She insisted the redevelopment process was fair and impartial.

### Protests from Latino Residents

"When it was bad, they blamed us, and now that it's good, they're still doing it," the mayor said. "So you can't win either way. You just have to keep doing what you think is the best thing."

While progress was delayed by bloody drug-dealer wars and a paltry tax base, City Manager Monika Hudson said a united City Council is now delivering results. In addition

to creating safer streets, the city required local-first hiring at the Ravenswood 101 Retail Center, which meant 80 percent of the jobs there are now held by residents. The construction of the largest residential project in city history, set to open next spring, will include a 129-unit apartment complex, where city residents or workers will have priority to rent half the units at affordable rates.

Hudson pointed to Belinda Rosales, chair of EPA Can Do, a nonprofit organization that builds affordable

housing, as an emerging Latino leader shaping city redevelopment.

Rosales said Latinos "are among the largest group of homeowners and business developers in the city." But, she added, some Latinos who owned land in redevelopment zones "did lose out on some" when it came to getting fair-market value for their property.

Abrica, the former councilman, criticized the city's poor response to citizens' complaints of police brutality and called redevelopment tactics

opportunities to appoint Latinos to council vacancies, including R.B. Jones's unsuccessful nomination of Rosales for an opening last year.

But Rosales stressed: "Until Latinos start to realize that they are the community and become part of that political process, that representation won't happen."

While African American leaders vow to allay citizens' distrust with public forums, Tony Tanke, the attorney who helped homeowners win the parcel tax refund, said the real change in the city's political

Square redevelopment for nearly \$700,000 apiece.

"These people who have paid a tremendous amount of money for their houses are going to walk in there, take one look around at the government, and say, 'We don't want things run like this anymore.'"

*Chronicle staff writers Carolyne Zinko and Marshall Wilson contributed to this report.*

Telephone Alan Gathright at (650) 210-0371 or e-mail him at [agathright@sfgate.com](mailto:agathright@sfgate.com).

# Bribery Probe of Ex-Mayor Widens

## FBI uncovers new allegations of corruption

By Alan Gathright  
CHRONICLE STAFF WRITER



**R.B. Jones**  
The city councilman and former mayor maintains his innocence and may seek re-election in November.

A growing federal probe accuses eight-year East Palo Alto Councilman R.B. Jones of treating his elected office like his personal cash cow.

A federal grand jury indicted the former mayor April 26 for extorting bribes totaling \$12,000 from a San Jose water company and a Newark trucking firm seeking city contracts. After a water official tipped the FBI, agents covertly videotaped Jones allegedly accepting \$5,000 in marked \$100 bills in a December 1999 payoff.

The FBI probe is revealing widening allegations. According to court documents, Jones allegedly:

- Asked for a \$5,000 bribe from a taxi operator who paid him \$1,000.
- Requested \$4,500 from a man seeking a nightclub permit who paid him \$1,000.

■ Solicited a \$14,000 payoff from a local trucking contractor.

■ Sought a \$20,000 bribe from a San Jose concrete distributor.

The outspoken Jones, who maintains his innocence, triggered cries for his resignation by resuming an active role on the council after a self-imposed leave following his May 2 arrest.

In a meeting at 6 tonight, Jones is expected to join council members reviewing the Ravenswood Business District Revitalization Plan — a lucrative 150-acre project boasting a bayside office park, homes and a revamped civic center — that has been sucked into the bribery scandal.

Defense attorney Harold Rosenthal said his African American client faces an unfair prosecution, driven by the FBI, an agency he says is rife

with a history of racism, and also driven by business people bitter over losing to competitors.

The probe raises questions about how Jones, a disabled paint distributor employee seeking a workers compensation settlement, makes his living. He owns a condominium, shares in two rental properties, and drives a 1996 Mercedes Benz sedan.

Court documents hint that Jones' passion for gambling has compounded his legal problems. In 1997, a self-described former mistress gave sworn testimony that she moonlighted as a prostitute at Nevada brothels from 1983 through 1991 "when Mr. Jones needed money for his gambling."

Now, federal investigators allege that Jones, who attends local social clubs and accepted campaign donations from one, in 1999 ordered police to halt crackdowns against illegal activity at so-called "bottle clubs."

John Hemann, the federal prosecutor in the bribery case, stated in recent court papers that last year then-Mayor Jones called an East Palo Alto police lieutenant and "threatened him after . . . police officers closed an East Palo Alto social

club." According to the prosecutor, Jones told the lieutenant "he did not care whether the social club(s) . . . were operating illegally and that the police department was to leave them alone."

After 1993 raids by state and local authorities at four clubs suspected of illegal liquor sales, gambling, prostitution and drug dealing, Jones publicly stated: "I know for a fact that it's directed at me," and blasted the police for joining a political cabal against him.

Mayor Sharifa Wilson stressed that Jones is "innocent until proven guilty" and that none of the alleged bribery has landed anyone city business. But law enforcement sources and court documents show the FBI is scouring city contracts for corruption, including Jones' alleged admission that a trucking firm seeking to build a rock-crushing plant in the Ravenswood Industrial Area offered a bribe if Jones killed a rival trucking firm's cement plant that was eventually built.

Undaunted, the councilman has plans beyond his September 12 bribery trial. He has taken out papers to run for re-election in November.

### CHANGE IN EAST PALO ALTO

#### OPERATING BUDGET\*

In millions

Fiscal year 1989-90	\$5.46
Fiscal year 1999-00	\$11.61

#### HOMICIDES

Fiscal year 1989	18
Fiscal year 1999**	1

\* Includes grants from government and nonprofit agencies  
\*\* Current year homicides: 2

#### TAXABLE RETAIL SALES

Third quarter, in millions

\$16.040

\$4.534  
nia Sha  
antz &  
er quite hit.  
WEATHER 199\*\*\*  
Sunny skies  
00s to high  
low 50s to  
ization Board,  
nd police

FREE 24-HOUR N. Chronicle Graphic

### FARLEY Phil Frank

**FARLEY, FORMERLY THE LEAD CHARACTER AND NAMESAKE, FINDS HIMSELF ADRIFT:**



**DESPERATE TO REGAIN HIS FORMER STATURE IN THE FEATURE, HE HAS TAKEN DRASTIC STEPS INCLUDING FLYING TO NEW JERSEY TO TAKE PART IN AUDITIONS FOR 'SOPRANOS':**



**HE EVEN APPEARED BEFORE THE BOARD OF SUPERVISORS AS A HIRED SUPPORTER IN HIPPIE COSTUME FOR THE TACKY S.F. THEME PARK PROPOSED FOR FISHERMAN'S WHARF:**



**BUT, DUE TO YOUNGER, EMERGING CHARACTERS, AND HIS OWN STATE OF UNCERTAINTY OVER THE APPROVED SALE OF THE NEWSPAPER, HE IS A CHARACTER WITH AN IDENTITY CRISIS:**

