


# CITY OF EAST PALO ALTO

Date: January 19, 1989

To: Honorable Mayor and Members of the City Council

From: Stanley H. Hall, City Manager 

Subject: Communications Regarding the Future Development of the Ravenswood Industrial Park

Enclosed please find communications from the Strand Development Co. (S.D.C.), Vintage Properties, and Sun Microsystems. If you will note, the S.D.C. and Vintage Properties letters do not address any specifics of a proposal, as does the Sun Micro letter. Keep in mind that all of these are unsolicited expressed interest. This is because the City has not agreed upon or designed any specific development objectives for the area. The unsolicited proposal method affords certain advantages to moving quickly toward planning for the area. As I stated in the City Council meeting of January 17, 1989, the Vintage Property letter was deposited at the City offices after hours and during the City Council consideration of the Sun Micro Proposal. The S.D.C. letter arrived in my office on Thursday, January 12, 1989. Prior to that, I have not spoken with anyone from Vintage Properties or S.D.C. regarding the development of the Ravenswood Industrial Park Properties. The only entity with whom I have held extensive discussions regarding their intent has been Sun Microsystems. Those discussions lead to the submission of a proposal.

Mr. Sandoval of S.D.C. called my office on three separate occasions, and I returned his call on three separate occasions without success.

There has been discussions that there are 14 proposals to develop the Industrial Park Area, that simply is not the case. There have been several discussions with a number of companies but no one has formally expressed an interest until Sun Micro came forward.

The questions of Sun's ability to co-develop with the City has been raised. This has surfaced mostly by developers, who say Sun's expertise is not development. Sun along with the City will acquire the appropriate expertise to successfully guide the process, thus eliminating the need to lock into the "Proforma" a margin of profit for a developer, thus allowing those funds to go back into the project.

Memo to Councilmembers  
From Stanley Hall, City Manager  
January 19, 1989  
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Councilmember Mouton has requested copies of the communications pertaining to the Ravenswood Industrial Park Area for their Special Committee to review and offer recommendations to the full council.

This review will be undertaken at their meeting on Thursday, January 19, 1989 at 5:00 p.m. in the City offices. If there are any questions, please advise.

cc: Al Baker  
Foster Curry  
Mike Demeter  
Janet Roche  
Don Fleming

SHH/bjf  
004/D#1



DEVELOPMENT CO.

100 S. Capitol Avenue • San Jose, CA 95127 • (408) 729-4026

January 10th, 1989

Mr. Stan Hall, City Manager  
City of East Palo Alto  
2415 University Ave., 2nd. flr.  
East Palo Alto, Calif. 94303

Dear Mr. Hall:

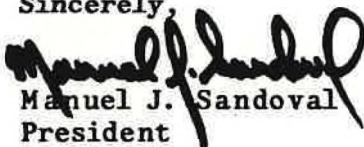
It's my understanding that the City of East Palo Alto is contemplating the establishment of a "redevelopment project" within the area generally referred to as Ravenswood Industrial Park. While discussions in this regard may, admittedly, be very preliminary in nature, I did want to take a moment to express our firm's interest in participating in this important effort.

Please be aware that Strand Development Company - SDC, together with its financial partners, has the experience, resources and commitment necessary to undertake a project of this nature. Moreover, we believe we would bring a unique and important perspective to future economic development in this area and are anxious to elaborate further in this regard as part of a competitive process.

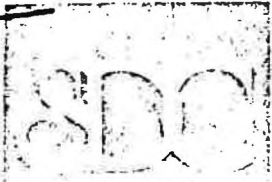
We are, of course, confident that such a significant project would involve a process which would afford the development community, including SDC, the opportunity to respond to both general and specific development objectives of the city in a thorough and responsible manner. In this respect, we are prepared to respond to any proposal timeline and development schedule your city may feel appropriate to ensure itself of a comprehensive analysis and review of the various development proposals which may be forthcoming.

Please let me know if I may provide any further information to you regarding our firm's interest. In the interim, I look forward to hearing from you with respect to the manner and timeline under which you envision the city proceeding in this matter. Thank you.

Sincerely,

  
Manuel J. Sandoval  
President

cc: City Council



DEVELOPMENT CO.

100 S. Capitol Avenue • San Jose, CA 95127 • (408) 729-4026

January 10th, 1989

Mr. William Vines, Mayor  
City of East Palo Alto  
2431 University Ave., 2nd. flr.  
East Palo Alto, Calif. 94303

Dear Mayor Vines:

It would appear that the area commonly known as Ravenswood Industrial Park may well be the subject of a new "redevelopment area for the City of East Palo Alto. In recent months, I understand that you have received several general inquiries - and, in one instance, a specific development proposal, from companies interested in development in this specific area.

It is in this context, then, that I simply wanted to offer some comments - for your consideration, regarding our firm's interest in working "with" the City toward a project of this nature. As part of that effort, I would respectfully encourage the Council to consider the overall economic benefits which the City might derive from development of a formal "project area." To be most responsive to the Council's economic goals for this area - and as a natural extension of such a direction, we would welcome a process which would allow a competitive evaluation of the relative merits of each firm's development proposals in a comprehensive and timely manner.

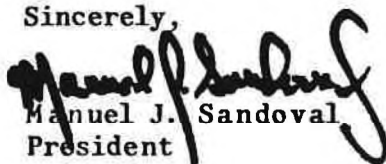
Though often viewed as a "double-edged sword," our firm would urge the Council to consider both the short and long-term benefits to be derived from formulation of an industrial redevelopment project. Among other reasons, practical development issues relative to coordination and financing of public and private improvements, general lending considerations, the need for an aggressive marketing strategy for the entire area, etc., may demonstrate in the near term that the City may be best served through selection of an experienced firm to serve as its "master developer" for this target area. Still, creation of a redevelopment area in this neighborhood is only one of several legislative tools which the City may use to help accomplish its economic development objectives.

I am acutely aware that in many jurisdictions redevelopment projects have too often resulted in the displacement and exclusion of smaller existing businesses from within the project area from subsequently participating in the very economic benefits which were intended to be provided in the legislative intent of the redevelopment act itself. In contrast to that approach, Strand Development Company, SDC, is committed to a redevelopment process which is both sensitive and responsive to the needs, concerns and potential impacts which such a project may have on existing businesses and city residents in this area. To be sure, these concerns need NOT be in conflict with ensuring the economic success of a large scale industrial project. On the contrary, addressing those concerns directly during the initial planning and economic analysis phase of the project will be a critical element in ensuring the long-term success of the entire project.

It's my sense that the Council will seek to ensure a comprehensive planning and development approach for any new, large scale industrial project in East Palo Alto. Clearly, there are sensitive and substantive economic issues which need to be addressed in a comprehensive and thought-out manner. I would be pleased to provide any assistance which may be of help to your City in this regard.

It is my intent to be in touch with you during the next few weeks in order to more specifically ascertain any particular areas of concern and/or interest which you may have regarding a new industrial project in the city. In the interim, please let me know if I may provide any additional information to you regarding my firm's proposed project for this area. Thank you.

Sincerely,

  
Manuel J. Sandoval  
President

cc: City Manager

RECEIVED

December 16, 1988

Hon. William Vines  
Mayor of the City of East Palo Alto  
2415 University Avenue  
East Palo Alto, California 94303

Dear Mayor Vines:

This is to express our interest in approximately 200 acres designated as the Ravenswood Industrial Park area and in 150 acres designated as the Ravenswood High School area, both in East Palo Alto.

Vintage Properties is a Northern California-based real estate development company which was formed in 1973. Vintage has been active in the Bay Area, specializing in large mixed use commercial and residential developments. We have proven our expertise in mixed use redevelopment projects at Marina Village which comprises 200 acres in Alameda, and at Vintage Park, comprising 130 acres in Foster City. In addition, we have recently formed a partnership with a major Silicon Valley software company to build them a 900,000 square foot headquarters campus in Santa Clara. These projects are all similar to that we think appropriate for the areas of your city.

In light of the current effort by the City of East Palo Alto to enrich the environment and the economy of the area, we suggest that these efforts can be greatly enhanced by a reputable developer working together with the City to implement a plan for development.

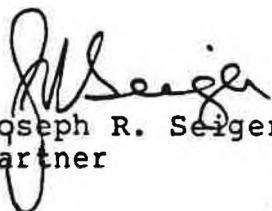
We would appreciate the opportunity to meet with East Palo Alto representatives to discuss our qualifications and preliminary ideas for the area. We would further like to discuss how we might work together with you and a specific user for the site so that

Hon. William Vines  
City of East Palo Alto  
December 16, 1988  
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more immediate development and employment levels might be achieved. As you may know, Vintage has both the staff and financial capacity to proceed with this project immediately. Enclosed is some information on our company for your reference.

Very truly yours,

VINTAGE PROPERTIES



Joseph R. Seiger  
Partner

MLH:mc  
Enclosure  
cc: Stanley Hall  
John Bostic  
Pat Johnson  
Barbara Mouton  
Warnell Coats  
Michael Humphreys  
Pamela Long

# Vintage Park News

SUMMER 1987



Alex McEachern,  
President, BMI

## BMI Finds Ideal Environment at Vintage Park

There's a decidedly upbeat mood at the handsomely appointed Basic Measuring Instruments (BMI) headquarters occupying 26,000 square feet at Vintage Park. Done in a mauve and gray color scheme, the new facilities are both attractive and functional, ideally suited to the company's needs.

Located at 335 Lakeside Drive in one of Vintage Park's newly completed R&D buildings, BMI's carefully designed space encompasses its engineering department, production, testing, marketing, sales and shipping. Also included are a student laboratory, where customers learn about the features and capabilities of BMI's products through hands-on classroom experience.

Founded in 1981 by company president Alex McEachern, BMI manufactures instruments to analyze the quality of electrical power and the operating environment for electrical systems. "Our instruments

make it possible to inspect the quality of the power, to determine if there's anything wrong and, if there is, to find the source of the problem," says McEachern. "Whether it's lightning striking miles away or a vacuum cleaner being used by the custodian next door, the instrument tells precisely what's happening with the electrical power."

BMI offers four models ranging from the \$395 GS-1 Basic Power Line Monitor to the Model 4800 Graphic Environmental Monitor with a base cost of approximately \$9,750. The products are marketed largely to major computer companies, the military, hospitals and banks. "There's a real demand today for this type of product," says McEachern. He adds, "The larger space at Vintage Park offers us the additional room and the creative environment needed to begin research for a new line of products."

Designed by the BMI staff in conjunction with Burns/Nettle

*"We need the clean, precise, high-quality environment we have here. The whole image of Vintage Park matches us."*



interior space planners, the space has been divided so various departments are clearly defined, while maintaining an overall continuity. Large windows with excellent views of the lovely Vintage Park grounds and lake set the tone for a series of conference rooms ringing the perimeter of BMI. "There's about a fifty-fifty split between office space and production," McEachern explains. "Burns/Nettle did a superb job on the space plan. And WestFour built the space nicely and right on time. We were very pleased to have worked with them."

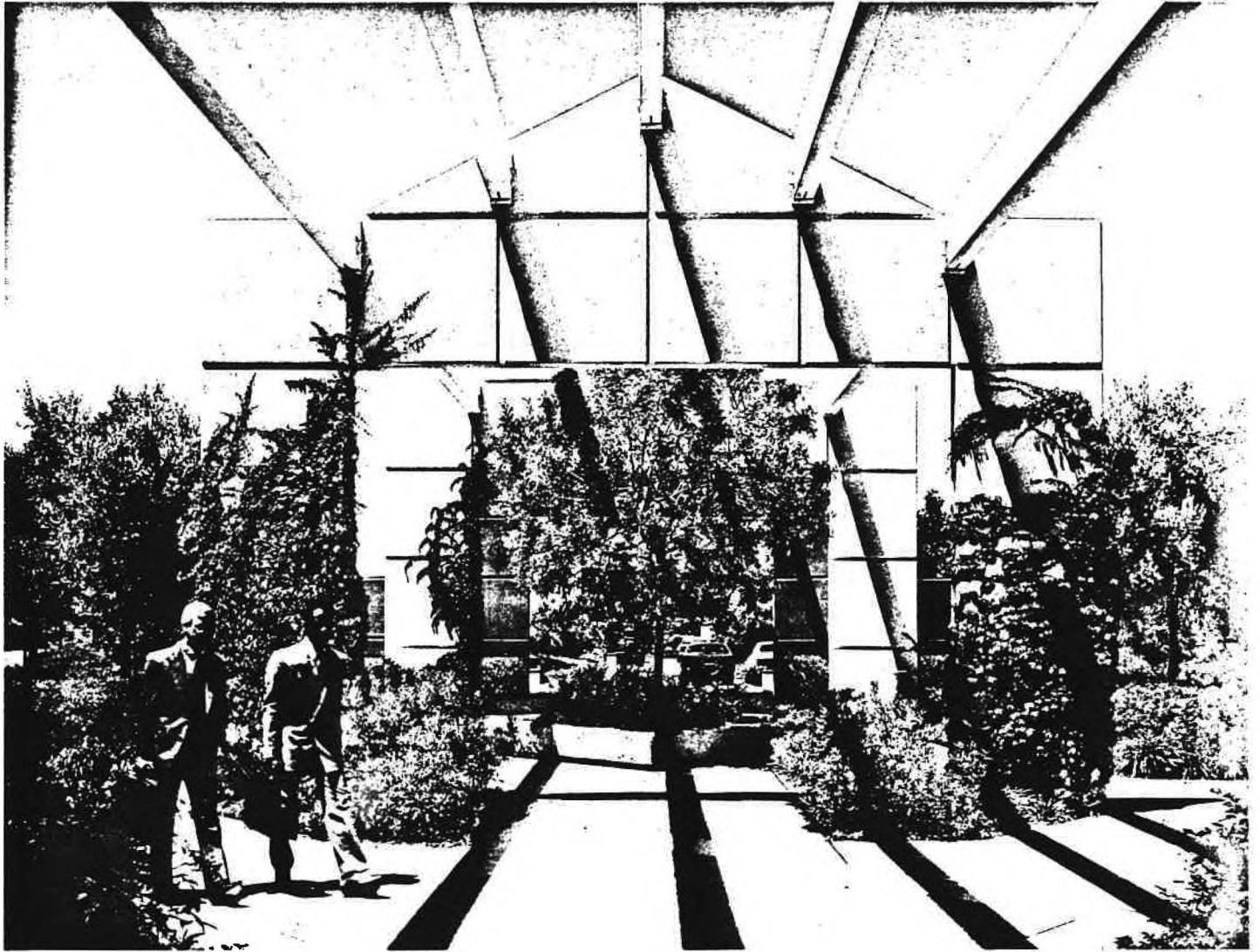
The Vintage Park location is of primary importance, according to McEachern. "It's right at the junction of 101 and 92, allowing us to draw employees from all over the Bay Area. The location is perfect. Employees can get here from anywhere in the Bay Area."

Access to San Francisco International Airport is another drawing point. "We do a lot of traveling around the country and a great deal of shipping by air. Being 12 minutes from the San Francisco airport is a big advantage to us," McEachern says.

Additionally, McEachern maintains the company profile is well suited to Vintage Park. "We're an instrument company and we need the clean, precise, high-quality environment we have here. The whole image of Vintage Park matches us," he says.

BMI's new space looks out on Vintage Park's five-acre lake and adjoining three-acre park where benches, a Par Course and jogging trails encourage employees to get acquainted, exercise and enjoy the outdoors. "It makes coming to work a pleasure," McEachern says, "and that's important to everyone in our company." ■





## Vintage Park— The Working Campus

*Business people are concerned about efficient use of funds and time. About productivity. And the need to provide a business environment where people can do their best work.*

*In response to these concerns and to demonstrate what sets Vintage Park apart from other business centers, we've created a fictitious person, Bill Johnson, and taken him through a typical work day. Here's his story.*

**B**ill Johnson is a regional sales manager for a company headquartered at Vintage Park. He arrived late yesterday afternoon from Seattle to discuss the roll-out of a new product in his region with his boss, the vice president of sales.

There were important issues to be resolved, and he knew he needed to be sharp.

A few minutes after he landed, a shuttle bus from the Holiday Inn at Vintage Park picked him up and 15 minutes later, he was checking in.

*Until Bill Johnson's company had moved to Vintage Park a year earlier, he had never seen a place like it.*

If he'd had to rent a car, he thought, he'd still be standing in line at the airport.

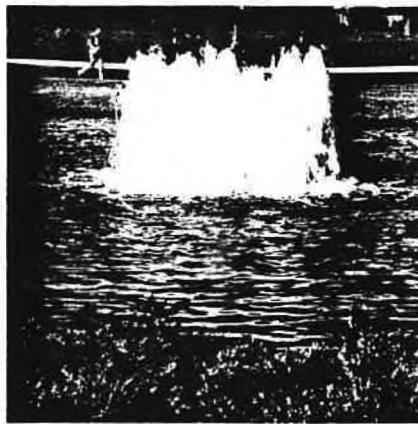
After settling into his room, he went to the indoor pool to do a few laps. It felt good, and as his doctor had said, swimming is a great form of exercise. Refreshed, he showered, had dinner in the lobby dining room and went back to his room to look through his notes before turning in.

Right on time, the phone rings with his early wake-up call. Slipping into his shorts and running shoes, he heads for Vintage Lake at the heart of the business park, a couple of blocks away. The morning is cool and crisp, and he enjoys looking at the mirror-calm water and the beautiful landscaping as he runs, stopping from time to time to use the Par Course equipment.

Having read the paper over breakfast, he walks to his company's headquarters, just across the street. Until his company had moved to Vintage Park a year earlier, he had never seen a place like this. In his mind, business parks were sterile collections of buildings, difficult to get to and boring once you were there. This was just the opposite, looking more like an attractive college campus than a place where companies locate.

The meetings go well, and just before noon, the group walks to one of Vintage Park's restaurants for lunch. The food is good, the service prompt and, unlike so many downtown restaurants, they have room to spread out and continue their conversation.

Back at the office, they work out details of the plan. But a stumbling point is reached regarding distribution, and the progress stalls. "Let's get out of here for a few minutes," his boss suggests. "Sometimes a change of scenery helps."



They walk into a landscaped outdoor courtyard at the end of the building and sit down on a bench. Somehow being outdoors instead of in the office changes the thought process, Bill observes. They explore the questions, consider the options and about 15 minutes later, Bill says, "Yeah, that'll work." With that done, they head back to the office speculating on the World Series contenders as they walk.

By four o'clock, Bill has stopped by to see the other people in the sales department, and visited accounting to assure them he'd get his expenses in on time next month. On his way out, he pokes his head into his boss's office, who says, "Good meeting." Bill agrees.

Looking at his watch, he realizes there is time to make a stop at the Fashion Island Shopping Center across the street to pick up something for his kids. With that done, he goes to the Holiday Inn to catch the van to the airport.

"Hassle-free way to do business," he thinks, settling into his seat on the Seattle-bound plane. "That's the way it ought to be."

At Vintage Park, it is. ■

# Vintage Park Signs 120,000-Square-Foot Lease With Ziff Communications

New York-based Ziff Communications—a large, diversified firm specializing in data-base services and computer-oriented communications—has leased 120,000 square feet of office and R&D space at Vintage Park. It is the largest such lease to be signed in the Peninsula in the past ten years.

Ziff will move its Information Access Company (IAC) and the offices of a number of its periodicals from Belmont to Vintage Park in two phases. Occupancy of an existing single-story R&D building—357 Lakeside Drive, Foster City—by IAC is set for September.

At the same time, the regional advertising and editorial departments of Ziff-Davis publications—including *MacUser*, *A+*, *PC Week*, *PC Tech*, *Data Sources* and *PC Magazine*—will move to a recently completed two-story office building at 110 Marsh Road in Foster City.

The two moves will total 55,000 square feet. In addition, Information Access will occupy 65,000 square feet in adjacent one- and two-story buildings set for completion in April 1988.

“A requirement this large doesn’t come along very often,” notes Kevin Cooper, Vintage Park partner and marketing director. “And we’re obviously very pleased Ziff Communications selected our project over the competition.”

## Quality Sells

Cooper notes that companies continue to realize the quality of a development has to be factored into the site selection equation. “Users understand that the least expensive cost per square foot isn’t necessarily the best deal over the long run,” he explains.

He cites the inclusion of the recently dedicated, eight-acre Vintage Lake and park as an example of amenities that add to the appeal of the project. “It’s our belief that quality still sells and the Ziff Communications decision is proof that’s the case.”

Tom Irish and Rod Pimlott of



One of Vintage Park's new R & D buildings which overlooks an 8-acre lake and park.

Cushman & Wakefield's San Mateo office were the brokers handling the lease.

## Positive Momentum

Another major transaction that just closed was the sale of two acres of land to Otari Corporation, a Japanese-based manufacturer of professional recording equipment. The company will construct a 34,000-square-foot building to serve as its U.S. headquarters. The building, scheduled for completion in January, will house its administrative offices as well as the sales, service, distribution and quality control departments.

Like Ziff Communications, Otari is moving to Vintage Park from Belmont.

In May, Basic Measuring Instruments (BMI) moved to 26,500 square feet of new office and R&D space. BMI manufactures power supply measurement and control equipment (see BMI story).

When Ziff Communications takes occupancy of all their space next

spring, about 60 percent of Vintage Park's total acreage will have been developed. Presently completed development includes 410,000 square feet of one- and two-story office and R&D buildings, the 246-room Holiday Inn at Vintage Park, three free-standing restaurants and nearly 10 acres of open space.

“The momentum is definitely positive,” says Roberto Koifman, project manager. “We’re very pleased with the reception we’re getting in the marketplace. Vintage Park has now established itself as one of the finest business addresses on the Peninsula.” ■



VINTAGE PARK

393 Vintage Park Drive, Suite 100  
Foster City, CA 94404  
(415) 341-6551

Sun Microsystems, Inc.  
2550 Garcia Avenue  
Mountain View, CA 94033  
415 960-1300  
FLX 287815

December 19, 1988



Mr. William Vines, Mayor and the City Council  
CITY OF EAST PALO ALTO  
2415 University Avenue  
East Palo Alto, CA 94303

Regarding: East Palo Alto Business Park

Dear Ladies and Gentlemen:

SUN Microsystems, Inc. would like to take this opportunity to express our interest in redeveloping the East Palo Alto Business Park, totalling approximately 170 acres. We have had preliminary meetings with all City Council members and the City Manager, Stan Hall to explore the City's plans related to the proposed project. Topics covered during the meetings were the formation of a redevelopment project area, the acquisition of the land by the Redevelopment Agency through the eminent domain process, the preparation of a redevelopment plan for the project area, the development of an alternative route from Highway 101 to the Dumbarton Bridge, and the history and business of SUN Microsystems.

These discussions and preliminary planning have focused on the future development of the area as a high tech research and development park with SUN Microsystems as the major owner and user. We believe that SUN, working with the City, can achieve the rapid development of the area, creating a project which is both visually exciting and economically solid for the City. Our proposed project would benefit the City directly by increasing the property tax base and indirectly through the development of commercial establishments to provide services for the site's ultimate workforce.

Because of our strong interest in this site, we propose that the City of East Palo Alto and SUN Microsystems enter into a preliminary agreement on the following points:

1. The City would agree to not consider, or accept, any other proposals for development of this site or its immediate surroundings. Upon execution of this agreement, SUN Microsystems would deliver to the City the non-refundable sum

of \$50,000. The time period needed for SUN Microsystems to perform preliminary due diligence studies is 180 days. During this period SUN Microsystems, in addition to performing its studies on the site, would work with the City in developing the general scope of the redevelopment plan for the project area, including design and use alternatives.

2.
  - A. At the end of the 180 day period or at any other time mutually agreed upon, the City and SUN Microsystems would execute a Memorandum of Understanding providing for SUN's exclusive right to negotiate a disposition and development agreement for the redevelopment of the East Palo Alto Business Park site and its immediate surroundings. The "MOU" would outline the basic terms and conditions of the agreement. Upon execution of the MOU, SUN Microsystems would deliver to the City the non-refundable sum of \$150,000.
  - B. In compliance with the terms and conditions of the MOU, SUN Microsystems would compensate the City for consultants' services and administrative costs deemed necessary by the City to responsibly meet the objectives of the MOU, and to begin the redevelopment process as it specifically relates to this project area. A budget not to exceed \$500,000, including City fees and consultants' services would be established in advance. No expenditure would be made without SUN Microsystems' consent.
3. Upon the formation of a redevelopment project area, SUN Microsystems would deliver to the City the non-refundable sum of \$50,000.00 Upon the execution of the disposition and development agreement, SUN Microsystems would deliver to the City the non-refundable sum of \$150,000.00

We also agree to meet with the California State Department of Transportation and to work with them to ensure improved freeway access between Highway 101 and the Dumbarton Bridge.

Mr. William Vines  
CITY OF EAST PALO ALTO

December 19, 1988  
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We look forward to hearing from you regarding this proposal at your earliest convenience.

Sincerely,

**SUN MICROSYSTEMS, INC.**

Crawford Beveridge  
Vice President, Corporate Resources

CB:ss

Agreed to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

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Mr. William Vines, Mayor  
CITY OF EAST PALO ALTO

Attested to by:

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Stan Hall, City Manager  
CITY OF EAST PALO ALTO

# News

*Sun Microsystems, Inc.*

For Release: December 20, 1988

To: Editor

Fm: Lorrie Duval, Press Relations  
Sun Microsystems, Inc.  
(415) 336-7113



At a city council meeting on December 19, 1988, Sun Microsystems proposed to support the City of East Palo Alto's efforts to redevelop approximately 170+ acres of land known as the East Palo Alto Business Park in exchange for the first right to negotiate for the purchase of the land. Sun will support city and consultant staff efforts through the City's Redevelopment Agency to study the formation of a district and its redevelopment for the economic benefit of the community. Sun will undertake its own studies and investigations specific to Sun's own potential use of the site.

Below is interpretation of the arrangement in a brief questions-and-answers section.

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Q - What is Sun's goal?

A - Sun's goal is to explore the potential development of an R & D campus on the site, while working with the East Palo Alto community to create a business park with appropriate amenities. In addition, we will work together with the State of California, California Department of Commerce, California Department of Transportation and local legislators to ensure improved freeway access between Highway 101 and the Dumbarton Bridge. In exchange, Sun will have the first right to purchase the land.

Q - What is the benefit to Sun?

A - Many of Sun's employees, such as the engineering community, have pushed to stay in this area of the Bay. This large site is the last parcel available in this area of the peninsula.

Q - What is the benefit to East Palo Alto?

A - The benefit to the City of East Palo Alto is clear. Today, the city suffers from high unemployment, a resulting low tax base,

limited growth, drug and related crime problems. The city government is responding to the needs of the community and looks to Sun as a progressive corporate citizen. The city is unable to instigate this kind of redevelopment effort without a partner. The alliance with Sun affords East Palo Alto the opportunity to revitalize the area and make it an attractive, prosperous community.

**Q - Sun is such a fast-growing company. What is its overall facilities plan?**

**A - In the near term, Sun will continue to move into buildings in the Mountain View and Palo Alto areas. The corporate strategy is to own more of our own facilities. Leasing space was a good solution, but it's time to be a home owner now and benefit from the control and lower expenses. Like the recent purchase of the FORD building in Palo Alto, the proposal with East Palo Alto is a step to establish a long-term solution to our increasing space demands.**

**In an entirely leased facility, the potential risk to Sun shareholders is high. If our landlords raise our rents, we have no option but to pay.**

**So the goal is two-fold. We must both plan for growth and reduce our percentage of lease holdings while increasing that which we own. This is particularly challenging for a high-growth company like Sun in an area where vacant land is scarce.**

**Q - Will Sun remain in Mountain View and the Shoreline Park area?**

**We will assess the need to remain in leased space as we grow and develop more of our own space. It is too early to forecast any specific actions. We are merely seeking to position Sun with a variety of alternatives. If Sun were to continue to grow at its current rate, we would need to more than double our current 2.5 million square feet of space over the next 5 years. To this end we are working with many communities and landowners to assess possible options. So far, East Palo Alto has been very progressive in working out a jointly desirable plan.**

**Q - Does that mean Sun is going to rely on the East Palo Alto redevelopment to solve its space problems? Isn't that equally risky?**

**A - It is our intent to identify sites to address Sun's future needs.**



Our preliminary investigations indicate that an East Palo Alto location may meet our needs. We are actively exploring other purchase opportunities that will meet the needs of our employees in terms of the type, location, health and safety of the facility. At this time, it's premature to discuss the details of these options. We continuously work with other cities to explore expansion opportunities in their areas.

Q - There is a lot of press about East Palo Alto's fiscal, drug and related crime problems. Is it safe for Sun to be there?

A - East Palo Alto believes that the revitalization of the city cannot happen without the investment and cooperation of companies like Sun. The city is looking to Sun to assist in the revitalization and subsequent improved environment for living, working and playing, and by example, to attract other tenants. East Palo Alto will work closely with us to ensure that it is a safe and healthy environment for Sun employees by the time we commence operation.

Q - What kinds of facilities and departments would Sun move to East Palo Alto?

A - It's far too early to say. First, we need to develop a master plan for the campus.

Q - East Palo Alto has been involved in all sorts of endeavors to revitalize, including trying to get a stadium built. Have these efforts failed? What other investments are going to be made to uplift the community?

A - East Palo Alto revitalization efforts were based upon the city's own marketing strategies to draw attention to the availability of the prime real estate potential for development. Other revitalization efforts now underway are the University Circle Revitalization Plan which offers proposals for a major hotel, office and related retail development. There are four additional projects in this area.

Q - What exactly is on the site now and has there been any damage to the environment of the site?

A - Currently the site comprises a variety of industrial businesses from machine shops and auto junk yards to a bus depot. Some environmental contaminants have already been identified and are being cleaned up. Others are likely to be found and will be dealt with as we progress.

Q - What is the timetable for this project?

A - A project of this magnitude should take 3-5 years before adequate study, review and public hearings are completed and work is underway. Potential delays during various phases are likely, but not predictable at this time.

Q - Does this effort improve or diminish Sun's position as a tenant with respect to the cities of Mt. View, Palo Alto and Milpitas?

A - We hope to maintain our strong relationships with our current communities. Our efforts to meet Sun's growth forces us to consider other communities as well.

Q - What other efforts has Sun made to find space outside of the Mountain View campus?

A - Sun has campuses in Milpitas as well as a major division in the Boston area. Milpitas has proven to be a very successful location for many employees, reducing their travel time and tapping other employee bases. We are hopeful that East Palo Alto will prove to be even more successful.

With this in mind, we've asked real estate executives to once again look into their crystal balls at what's in store for the real estate industry in Northern California, as well as to identify some of today's most pressing issues. The 1989 Northern California Real Estate Survey demonstrates that regardless of how the game continues to change, executives remain upbeat about the prognosis for the industry.

This year, we also conducted a separate survey of Southern California real estate executives in conjunction with the Southern California Real Estate Journal. Some of the similarities and differences between the two surveys will be noted in this article.

**FINDINGS**  
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recently arrived Southeast Asian spread west past Broadway and east to Merritt. Those four blocks, however, hold the lion's share of Chinatown's real estate if C&L Financial Inc.'s plans are implemented. (See accompanying story.)

"The private sector, mainly Asian developers, is very active in Chinatown," says Peter Chen, Office of Economic Development and Employment Program Manager for Chinatown.

Chinatown-area projects under development or planned include the Frank G. Moore Community Housing project for low-income residents and seniors; the residential Phoenix Plaza; George O'Connell's plan for a three-story office building on Broadway Street near Franklin Street; P.S. Lerner's plan for a three-story office building on Broadway near Harrison Street; plans for a three-story restaurant on Webster Street across from the new East Bay Municipal Utilities Authority building; a four-story commercial residential project at Seventh and Broadway streets; and a seven-unit Victorian-style condominium behind old Oakland.

Historically, Chinatowns across the country have served as residential and commercial centers for their Asian populations. In most cities, Oakland's Chinatown is no different. There are shops, restaurants, doctors' offices, pharmacies, markets, and family and business associations have concentrated their activities and services for the Asian community between Seventh and 10th streets and Broadway and Harrison streets. But unlike San Francisco's Chinatown, which has a large concentration of Chinese residents, the Chinese community never did take root in Oakland's Chinatown. "It's pretty well scattered on the east side of the Lake, in the hills around Oakland," says Chen. Also, construction of freeways, BART, Laney College and the development of the Oakland Museum and Convention Center replaced many dwellings and

**CHINATOWN**  
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engineering site in Menlo Park; the only building the firm owns, in Palo Alto; and 10 buildings in Milpitas, two of which contain the company's main manufacturing operations.

And as if the growth that has made Sun "one of America's fastest growing major companies," according to president and CEO Scott McNealy, was not enough, Sun intends to keep the heat turned up. "Although Sun sold nearly a third of all workstations installed last year," McNealy says, "the bigger reality is that Sun still accounts for less than one percent of total computing industry revenues. If Sun's vision is to succeed, Sun must grow quickly in order to compete from a position of strength against the major entrenched vendors."

This aggressive attitude means that if the current pace continues, says Klaus Kramer, Sun's director of real estate, construction and facilities, "our space needs will double within the next five years."

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## Silicon Valley's rising Sun

### SUN MICROSYSTEMS EATS UP REAL ESTATE

by John Thomas

In just the past year, Sun Microsystems of Mountain View has nearly doubled the square footage it uses worldwide and has increased its Bay Area total to a staggering 2 million square feet.

And that's all leased space for a company still looking forward to its seventh birthday.

Not until last May did the computer firm finally buy its first piece of real estate, a 230,000 square foot office building on the eastern edge of Palo Alto. Formerly occupied by Ford Aerospace, the five-story structure is now undergoing a mammoth \$10 million retrofit by the Koll Co., San Jose, so Sun can move some of its corporate and administrative offices in as soon as early this year.

The purchase, for an undisclosed sum, was made from South Bay Development.

The computer maker, which calls its products network-based computing systems, now has about 1.1 million square feet in Mountain View, Palo Alto and Menlo Park, slightly more than 1 million square feet in Milpitas and another 300,000 square feet in the high-tech Highway 128 corridor north of Boston. It occupies 113 separate facilities across the country and 44 additional locations in 15 countries.

The firm's Bay Area real estate includes 24 buildings in Mountain View, where Sun's corporate headquarters are located; a just-leased but still unoccupied 45,000 square foot



Three join NCREJ  
edit board

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**Design**  
Retail design takes on  
new look

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**Transaction**  
Art gallery sold

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## SANTA CLARA COUNTY

### Sun from page 1

Sun opened its doors in February 1982 at 2310 Walsh Ave., Santa Clara, and by year's end moved its 30 employees to 2550 Garcia Ave., Mountain View, its present headquarters. The firm now has more than 7,500 employees.

"When I came on-board early last year," Kramer says, "we realized Sun's policy of leasing everything had to change. When you're only a few years old and you're putting your money and energy into producing a product, you don't put much emphasis on space planning or forecasting. You take whatever space is available in your area.

"Naturally you pay a premium price in order to get some of that space," Kramer continues. "But now that Sun has established itself as a major computer company, it's very prudent to own your space. You have to remember you have tremendous exposure if you lease everything."

Kramer says he's aiming for a 60 percent owned to 40 percent leased ratio for the firm's future. He says the firm has started to pursue owning space for all of its operations, administrative, engineering, R&D and manufacturing. "As for our sales and marketing offices all across the country, since they're generally small, for now we won't

consider owning," he says.

Kramer came to Sun with a background of 16 years in real estate and construction. He spent seven years at Hewlett-Packard on real estate acquisitions and construction, 7½ years with the Rolm Corp., and then two years at IBM in Santa Clara as head of their real estate and construction division.

"As we now keep growing we will look at every opportunity to find our own sites and develop a campus-like environment. We realize operating out of many leased buildings, which are spread over a large area, is very inefficient costwise. I think to have our own campus where we control the environment will be very important to us," Kramer adds.

To that end, Sun is pursuing a 170-acre tract in East Palo Alto. Last month the firm offered the city \$50,000 for exclusive rights to study the site for 180 days. The city council, however, turned down the check, saying it wanted to consider other offers and would take up the matter later this month.

The site, known as the East Palo Alto Business Park, was once considered as a possible new home for the San Francisco Giants baseball team. It could accommodate one million square feet or more, Kramer says.

"The Palo Alto site is a long-term plan for us," he adds, "not something that will happen overnight. This is the area the city put together for the stadium. That's how I became involved in it. If they brought it forth for that purpose, I thought, 'why wouldn't it be

**S**un, which leases 2 million square feet in the Bay Area, plans to eventually own 60 percent of its space and lease the rest. The firm has started to pursue owning space for all of its operations — administrative, engineering, R&D and manufacturing.

suitable for us?' The city has many things to consider regarding how it wants to use the land. It's just too early for us to tell."

Richard Carlson, president of Spectrum Economics, a Los Altos consulting firm specializing in economic development, is high on Sun's interest in East Palo Alto. "I think a technology company means guaranteed jobs, not just potentially empty buildings," he says. "And Sun is one of the real stars of the Valley. They're far from just any technology company."

Carlson says Sun's decision to pursue a campus setting in East Palo Alto "displays some real imagination. I think it will turn out to be a smart move."

Net revenues for the firm's 1988 fiscal year, which ended last June, topped \$1 billion for the first time, a 96 percent increase over the previous year's \$540 million. In 1984, net revenues were \$39 million.

Kramer says that even with the aggressive search for new space, Sun has no immediate plans to move its headquarters from Mountain View or give up any of its presently leased space.

He says the firm recently bought 32 acres in Linlithgow, Scotland, near Edinburgh, where it will build its first overseas facility. The first phase, which will get underway this spring, will be a 140,000 square foot manufacturing plant. ■

## Hotel firm awaits OK

### KOLL READY TO SELL SITE TO MARRIOTT

**T**he Koll Co., San Jose, and the Marriott Corp. are now waiting for San Jose Planning Department and City Council approvals of a plan to build a new Marriott Courtyard Hotel in Koll Center, east

Holiday Inn/Park Plaza. Another 177 could be added if remodeling of the Saint Claire Hotel goes through. At present, these plans are stalled and the Saint Claire sits in bankruptcy. The occupancy rate for Santa Clara County hotels was 60 percent as of September, the same as the same period last year.

—John Thomas

### Days Inn plans to build new hotel in Belmont

Belmont — Days Inn of America Inc. has an-

KG has so far received approval for three office buildings, with construction on the first, a 52,000 square foot project, set to begin soon.

The city council unanimously selected the Days Inn package over a bid by Continental Inns Inc. Another bidder, Radisson Hotels, dropped out. City officials say a final development agreement should be ready soon.

Days of the West, the hotel's developer and operator, said Days Inn, which now has 710 hotel franchises throughout the U.S. and

Canada, plans to build 1,500 hotels with 180,000 rooms by 1991.

The agreement is the culmination of more than two years of effort to get a hotel for the large project. At one time the council tried to find a chain to lease the land and build a hotel, then in September agreed to sell a 3.8 acre parcel to Continental for \$3.25 million.

But that deal fell through when Continental said the site would require deeper pilings than originally thought.