

Redevelopment For Whom? Revisited

By E.P.A. Mayor William Vines

A considerable number of citizens have asked for rational regarding my opposition to the Demonet/University Circle Project.

First and foremost, I am not opposed to the project. I am, however, unalterably opposed to the Disposition Development Agreement (DDA/Deal).

I believed then and I believe now that development should accrue significant benefit for the people of East Palo Alto. This key concept was the overriding premise through which I viewed the University Circle Project.

As it is currently constructed, there are no significant benefits built in to this project for the citizens of East Palo Alto. The proposed office buildings will not yield jobs for East Palo Alto citizens. They will not yield any sales tax revenue for the city. They will not yield one done to the city in property tax increment until year 2004. Current East Palo Alto businesses and property owners will not be able to be partners in the project. There is no business relocation plan. There is no housing relocation plan. The city of East Palo Alto will not be able to participate as a partner in the project.

There is also no real provision in this agreement for building capacity for East Palo Alto citizens, as evidenced by:

- *No firm commitment towards affirmation/jobs;
- *No firm commitment towards job training;



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*No firm commitment towards first source hiring or preference toward current tenants.

The hotel portion of the proposed project has been deemed highly unlikely, speculative at best. Therefore, any possible benefit from a hotel to the city will never be realized. Additionally, East Palo Alto gives to the developer, at no cost, free, 2.79 acres of East Palo Alto Land (valued at more than \$3.6 million dollars). This highly speculative hotel scenario is further confounded by the fact that the only way that Demonet would consider building the hotel is that the city of East Palo Alto contribute \$6.2 million dollars to the cost of the hotel. And beyond the \$6.2 million, we will also have to find a way to pay an additional \$4,474,000 for widening University Avenue, \$1,209,000 for reconstructing Woodland Avenue, \$1,201,000 for East and West Bayshore Improvements, and \$450,000 for six new traffic signals—totaling 7.3 million dollars.

None of these costs were build in as a developer expense in the DDA, so we inherit the responsibility. Finally, all of the above is predicated on whether or not Cal Trans will move the overpass. To date moving of the overpass has yet to be scheduled and there are twelve other projects ahead of the moving of the University overpass.

My friends, when I considered the financial package it made even less sense than the items listed above. We are actually paying

Demonet to make more than 70 million dollars profit on the University Center Project while we fall further behind and get an even smaller slice of the economic pie.

The Kaiser Marston (Real Estate Predevelopment Evaluation Service), University Circle financial evaluation indicates that the developers profit (12 percent) will be \$20,740,000. The study also indicates that after all costs, have been taken care of there is an excess residual value of \$11,190,875. East Palo Alto was allotted only \$7,200,000 of the excess residual value. The developer estimates the profit upon resale of the project to be in excess of \$50,000,000.

Developer's Yield

Developer's 12 percent profit-\$20,740,000

Developer's portion of the excess residual value-3,990,875

Developer's profit upon resale 50,000,000—TOTAL \$74,730,875.

East Palo Alto's Yield

Community redevelopment fee \$7,200,000

City contribution to hotel parcel \$6,200,000

Value of 2.79 acres of city land \$3,600,000—TOTAL \$4,600,000.

In short, the city is paying Demonet \$4,600,000 in order that he, Demonet Industries, make a profit of over \$74,730,875.

For these reasons, I have been and will continue to be unalterably opposed to this agreement with Demonet.

It is, and will continue to be, my position that development must accrue significant benefit to the citizens of East Palo Alto. As constructed, the current deal with Demonet just does not make the grade.

Finally, it is absolutely imperative that this agreement be renegotiated. To this end I ask your help. Please contact members of the City Council and express your wish that East Palo Alto benefit from this proposed project.