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Project goes to voters

165 SENIOR APARTMENTS, 110 SINGLE-FAMILY HOMES PLANNED IN SANTA CLARA; THE PROJECT'S FUTURE WILL BE DECIDED FEB. 5 BY BALLOT MEASURES A, B

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Before a single home can be built on land located next to Westfield Valley Fair, a developer must win at the polls Feb. 5, defeat a lawsuit and then rid the site of 8,000 tons of toxic soil.

The price of this challenging chunk of real estate?

SummerHill Homes has agreed to pay a whopping \$34 million for 11 acres of the 17-acre site known as the Bay Area Research and Extension Center, or BAREC. The remaining six acres were bought by Charities Housing Development and the city of Santa Clara - pending approval by voters - for the below market rate of \$10 million, bringing the total to \$44 million. The sum thrills its owner, the state of California.

"BAREC is one of the most significant projects we're working on because of the value of the property," said Bob McKinnon, senior real estate officer for the state Department of General Services.

SummerHill's Robert Freed agrees. Neither the big money, nor angry neighbors, nor courtroom drama has tempted SummerHill or Charities Housing to walk away from a project that Palo Alto-based SummerHill has pursued for almost five years.

"This has been considered a prized infill property . . . in a prime location within Santa Clara for years," said Freed, SummerHill's president.

It's easy to see why: The parcel is located next to shopping centers, Valley Fair and Santana Row; major streets and freeways; and it's close to job centers. At 17 acres, it's big enough, and more importantly, flat enough, to be easily developed. Finally, it's located in a city where home prices have remained relatively stable despite the downturn in the housing market.

As Chris Truebridge, president of Shapell Homes, put it: "Real estate values there are high. Even in this market, that area is probably in the best shape."

For Chris Block, executive director of the San Jose-based Charities Housing, which plans to build 165 affordable senior citizen apartments and develop 2.5 acres as community gardens on the site, the proximity of O'Connor Hospital makes it ideal for seniors.

"This location doesn't get any better for people who have disabilities or are on fixed incomes," he said. "It's hard for me to imagine a better site for senior housing," Block said.

Still, \$3 million-plus an acre is a lot, even in Silicon Valley. And the cost to clean the site, which SummerHill must pay, is estimated to be \$1 million. SummerHill negotiated the price in 2003 when the housing market was booming and land prices still soaring.

It's not the first time the Palo Alto company, a subsidiary of the commercial real estate firm Marcus & Millichap, has paid dearly for property. A year ago, SummerHill agreed to pay \$24 million for the six-acre Elks Lodge site in Palo Alto. The developer also stepped in when Shea Homes walked away in

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2006 from the deal to build homes on the former Lou's Village site in San Jose. And just this month, SummerHill bought out Standard Pacific's interest in a neighborhood already under construction in Palo Alto.

But none of those developments have met with the opposition facing SummerHill by SaveBAREC, which has mounted a vigorous campaign asking voters to defeat Measures A and B on Feb. 5.

"We're not going to roll over on this," said Kirk Vartan, the spokesman for SaveBAREC. "The public here feels that selling it to developers is not the right use of the land."

SaveBAREC, which numbers 30 active members, with support from about 1,500, collected enough signatures to let Santa Clara city residents decide.

Vartan, who lives in San Jose and won't even be able to vote on the referendum, said the property should be preserved as open space. Among his concerns are traffic, noting that Winchester Boulevard and San Tomas Expressway are already congested, and the prices of the 110 homes slated to be built by SummerHill, which will range from \$700,000 to under \$1 million.

"Why are we eliminating open space to allow for more housing that's not affordable housing?" Vartan asked. "There's nothing visionary about doing this. California is not growing any more open space. Once it's gone, it's gone."

SaveBAREC also filed a civil lawsuit against Santa Clara, saying City Hall ignored environmental requirements.

Santa Clara Mayor Patricia Mahan sympathizes with neighbors who would like to see a park on the property. In the late '90s, she worked to turn a

40-acre Santa Clara golf course into the Ulistac Natural Area.

"These are really nice homes, with large lots and quiet streets," she said, describing the neighborhood surrounding BAREC. "If you had a home like that and had the choice of living next to Valley Fair, or an apartment community, or a 17-acre open park, what would you choose?"

But while the city owned the golf course, it doesn't own BAREC, which has never offered the public access to the land. And given the crisis in the state budget that prompted Gov. Arnold Schwarzenegger to call for closing parks around California, it's not likely the state will agree to create another park, she said. "It's not going to happen," Mahan said.

If the housing project loses at the polls, the mayor said the state could build any public facility it needs - a school, a jail or a department of motor vehicles office - without permission from local officials. The state's McKinnon said if voters oppose the project, the land would remain as is until another plan is developed.

"We would have to re-evaluate," he said. "BAREC would just sit here. We'd be back to square one."

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