

[Back to the  
Table of  
Contents Page](#)

Issue date: September 22, 2000

[Back to the  
Weekly Home  
Page](#)

[Classifieds](#)

## The Hacienda that Joe built



Hacienda Business Park fulfills its vision - and contributes to Pleasanton's incredible prosperity

by **Bob Thomas**

In the 1970s Joe Callahan, Annapolis graduate and Vietnam veteran, was a commercial real estate developer in the burgeoning Silicon Valley of Santa Clara County. He was also serving on the boards of Atari, E-tec, and Pizza Time Theater. All of these companies were enjoying explosive growth and had a constant appetite for new employees.

The question occurred to Callahan, "Where the hell are all these people coming from?" He began getting ZIP code reports on where Silicon Valley employees lived. He discovered that 80 percent of new employees were coming from the East Bay.

By the late 1970s, growing congestion and rising land costs were squeezing companies in both San Jose and San Francisco. "Congestion on Highway 17 (880) was awful," Callahan remembers. So he followed the commute path back to its source in the East Bay.

He found a total population in the Tri-Valley of 165,000 people, 87,000 of whom were employed, but only 30,000 worked in the Tri-Valley. The rest were swimming in the commute pool to other parts of the Bay Area. In 1978, Pleasanton had 34,000 residents, but only 8,000 jobs. Until 1976, the general plan for Pleasanton called for 122,000 residents and 60,000 jobs.

Callahan concluded, "What really matters is access to people and transportation." He had found the people and the 580/680 interchange provided the obvious transportation hub. Callahan knew that real estate comprised only 3-4 percent of corporate overhead while people accounted for 30-40 percent. On the theory that employers would follow the people, the vision for Hacienda Business Park was born.

\* \* \*

Twenty-two years after Callahan and the Prudential Insurance Co took a purchase option on the swamps and fields that would become Hacienda Business Park, a drive through the park reveals an entirely modern and

oddly serene landscape. One thing that sets Hacienda apart from the typical business park development is the absolute bounty of thoroughfares that crisscross the park. Six-lane boulevards march efficiently across the environment with lushly landscaped medians and right turn lanes at every intersection. The effect is to minimize the traffic snarls, which seem to plague the rest of the urbanized world. Buildings are surrounded by generous amounts of land, with meticulously maintained landscaping that often screens acres of parking lots from passers-by.

It wasn't always so. Two dramatic recessions and vigorous political opposition had to be weathered for Callahan's vision to be realized.

Callahan recalls that downtown Pleasanton in 1978 was not the idyllic scene we have now grown accustomed to. Proposition 13 had passed and Pleasanton was suffering financially. Callahan says that the city was laying off employees and turning off streetlights to save money.

Ken Mercer, who was elected to the City Council in 1976 and served as mayor from 1982 to 1992, confirms Callahan's recollection. "One of my jobs was to go around town and make sure we weren't creating unsafe situations where we had turned out lights," Mercer says. "We laid off 36 employees, about a third of the city staff at the time."

To Mercer and others, Callahan's vision could provide much needed economic activity and a long-term revenue source. But the vision seemed so ambitious that Mercer's first thought was: "Is this guy for real?" But Callahan had a good reputation in the Silicon Valley and the backing of a very deep-pocketed partner in the real estate development arm of the Prudential Insurance Co.

In July 1978, Callahan optioned the first parcel of a total of 960 acres of land, which the partners paid some \$45 million to acquire, or about \$1 per square foot. The land was virtually raw. In fact, some 200 acres flooded every winter, as did many homes in nearby residential neighborhoods. The developers would need to build a stunning amount of infrastructure for the park. In addition to the miles and miles of boulevards and streets that are there today, and many more miles of sewer and flood control devices, which are less obvious, Callahan and Prudential would construct all or part of four highway interchanges that now serve Pleasanton. The famous Hacienda arches were icing on the cake.

Most stunning of all, the developers proposed to finance and build most of these improvements through the sale of bonds. The city would not have to contribute funds to these infrastructure projects. Ultimately these bonds would total \$5.50 per square foot of land and present an enormous burden for the project during tough recessions.

The bonds were sold and construction was begun in 1982, as was the marketing effort to attract the Silicon Valley electronics companies the park was conceived to serve. However, other challenges were looming. In late 1982, a lawsuit was filed by a group called Citizens for Balanced Growth, seeking to halt construction on the grounds that the park would create a jobs-housing imbalance that was inconsistent with the Pleasanton General Plan. Former Pleasanton Mayor Bob Pearson

and a young Ben Tarver, the current mayor, led the effort. Ultimately the suit failed to prevent Hacienda from going forward, but the delays were costly.

In 1984 the anti-Hacienda forces placed a referendum on the ballot in an attempt to overturn the City Council's approval of the project. Tarver felt the planning was inadequate, not cost effective, and that it was too narrowly defined in its uses. But the voters of Pleasanton voted overwhelmingly in support of Hacienda and the project proceeded.

However, by the mid-'80s the electronics industry had hit a downturn. With business activity shrinking, the commercial real estate market softened, and rents in San Jose and San Francisco began to slide, making suburban office markets less attractive. Hacienda had the extra burden of \$5.50 per square foot of bonds making it difficult to compete in a down market. By the end of 1985, a Grubb and Ellis market survey showed a 39 percent vacancy rate in the Pleasanton office market, totaling 1.3 million square feet of office buildings.

Callahan and Prudential managed to limp through this period and even landed a major tenant in 1988 when AT&T agreed to jointly develop 1.1 million square feet of offices for its own use. But darker clouds were gathering on the horizon. By 1990, the U.S. economy was sliding into recession, and the commercial real estate industry was stepping into the abyss of the severest collapse of values since the Great Depression. Billions and billions of dollars of equity would evaporate, and the federal government would take over numerous savings and loan associations and liquidate real estate assets at pennies on the dollar.

Hacienda was not immune. In 1991, Joe Callahan was compelled to step away from Hacienda after more than a dozen years of battle to bring his vision to fruition. Meanwhile, Prudential was also greatly reducing its role at the park, selling off many properties in the early '90s.

It was during this long period of difficulty for commercial real estate markets that Hacienda sought approval from the city to convert some of its land to residential uses. Ultimately more than 1,500 residences were built, including detached homes, condos and apartments. Hacienda's original approvals allowed 12.6 million square feet of office space. This was reduced to 9.8 million as a trade-off for allowing residential development.

The unprecedented economic expansion of the 1990s has seen the vision of Hacienda Business Park finally fulfilled. There is virtually no developable land available for purchase. Some land is held by major corporations, such as PeopleSoft, Shaklee and Roche, for their own future expansions. And the park has almost no vacant office space for lease.

What does all of this mean for Pleasanton? Well, there is the obvious economic impact. Pleasanton restaurants and health clubs are filled with employees from Hacienda's myriad companies. In the past fiscal year the park generated \$8.4 million in tax revenues for Pleasanton, about 14 percent of the city's gross revenue. Hacienda comprises only about 6.5 percent of Pleasanton's total land area. Ken Mercer credits the park with helping create the success of downtown: "It

a more localized impact as well. Leslie Coonan, executive director of Pleasanton Partnerships in Education, reels off a long list of companies whose management and employees contribute time and money to numerous PPIE projects, including Principal for a Day, Tech Fest and the CEO dinner.

Twenty-two years and billions of dollars of investment later, Joe Callahan is asked if he would have done anything differently at Hacienda, where he still has an office and is pursuing other development in the Bay Area. He feels more high density residential should have been built, even though it was not part of his original plan. He also wishes the environments were more urban, with narrower streets, to encourage a greater sense of community. But at the end of the day, Callahan says, "In terms of setting a standard, we did a pretty good job."  
<@\$p>



Copyright © 2000 Embarcadero Publishing Company. All rights reserved.  
Reproduction or online links to anything other than the home page  
without permission is strictly prohibited.

---