



EXCLUSIVE REPORT:

HP considers moving, but will 'stay in Palo Alto'

Leaders came close this year to deciding to move its world headquarters to Cupertino, where it owns more land than it leases in Palo Alto

by **Jay Thorwaldson, Palo Alto Weekly Staff** Uploaded: Wednesday, March 19, 2008, 12:45 AM

Hewlett-Packard Company early this year took a long, hard look at moving its corporate headquarters out of Palo Alto to Cupertino but has decided -- for now -- to stay put, according to reports leaking out of the historically Palo Alto-based firm Tuesday evening.

An internal memo sent Tuesday to employees at HP's corporate headquarters at 3000 Hanover St., at its labs and former headquarters at 1501 Page Mill Road announced the decision -- to the joy of numerous Palo Alto and nearby residents who work for HP.

The reports were confirmed by one HP official who asked not to be identified by name, and inadvertently by a senior legal counsel who sent out an e-mail to leaders of community organizations. The consideration of a move has been underway "for some time," but reportedly came to a head within the last two months.

The decision to remain in Palo Alto maintains "the commitment to this community that began when Bill Hewlett and Dave Packard were starting their work in Dave's garage on Addison Avenue in 1939," one corporate official, Senior Legal Counsel Hal Mickelson, said in a limited-circulation e-mail to community groups. HP went public in 1957 following rapid growth from World War II through the early 1950s.

Mickelson said he didn't know when an official announcement would be made but "you're all welcome to pass this news along to anyone in your organizations who may have a need to know." He said an internal message "was circulated to employees here at HP's corporate headquarters today with the great news that after full review of our company's real estate strategy for the Bay Area, HP will remain in Palo Alto."

"You might be surprised to learn that there were proposals on the table that we move all our local operations to Cupertino," he wrote, adding that "those of us who are longtime Palo Alto residents are delighted that those proposals were considered and rejected." HP "will be vacating a couple of the old Stanford Park buildings at 1501 Page Mill, but also retaining several buildings at 1501, and trying to make our use of the newer 3000 Hanover facilities more efficient in a number of ways," he said.

Other reports are that HP will keep buildings 1 to 3 at 1501 Page Mill active but pull out of buildings 3, 4 and 5 because they are underpopulated.

Hewlett's and Packard's original offices are in buildings 1-3, preserved with their original furnishings and referred to as "Bill's and Dave's offices" by many in HP.

HP leases all its Palo Alto properties from Stanford University in five separate leases that expire at different times.

The official noted that the decision to consider moving to Cupertino was part of a larger, even worldwide consolidation of HP properties that began with the acquisition of Compaq computer in the early 2000s, under former President and CEO Carly Fiorina.

Following her termination by the HP board in February 2005, new CEO Mark Hurd accelerated the process of divesting properties deemed surplus or excessive -- including the "Little Big Basin" recreational land in the Santa Cruz Mountains and two other such properties elsewhere.

It also has curtailed operations in Mountain View, Fremont, Sunnyvale, and San Jose in favor of consolidation in Cupertino, where since the acquisition of Compaq it owns outright more land than it leases in Palo Alto and operates a shiny "customer briefing center" for prospective clients.

HP also owns property in Germany, Northern California and in Houston, Texas, the former headquarters of Compaq, in addition to such far-flung locations as Fort Collins and Boise, Colo., and Corvallis, Ore.

It is said that the latter three locations were acquired because they were favorite areas of "Bill and Dave" for outdoor activities.

Even HP's research activities are being consolidated into more targeted or focused areas showing the highest promise, HP officials announced this month.

But just as HP drifted -- or was yanked -- away from the historic "HP Way," it also has drifted from the awareness of its roots in Palo Alto, both at the rank-and-file and leadership levels, one official noted.

Today more than 65 percent of HP employees worldwide are based overseas, and fewer than 10 percent of the approximately 2,500 employees working in Palo Alto are actual residents of Palo Alto -- although many others reside in nearby communities on the Peninsula.

Hurd, who came to HP from Dayton, Ohio, now resides in Atherton and only two of a number of recent management-level hires have moved into Palo Alto, one HP official noted.

More than twice as many employees work in Cupertino HP facilities as in Palo Alto, and housing is less expensive.

On the other hand, Cupertino is at least as difficult a city with which to deal as Palo Alto, the official said. Neither city has particularly gone out of its way to make a large company feel welcome or an important part of the community, the official said.

And there is the tradition of history, including "Bill's and Dave's offices," to weigh in the balance.

But in the longer, bigger picture, the overseas threat may outweigh history and tradition, as countries pour millions into building up electronic-communications infrastructure, in producing highly educated engineers and specialists, and in cultivating corporate officials, the HP official noted.

The firm is currently riding high in revenues and recent successes, surpassing even IBM in sales recently.

But in a future down cycle, when things get tight or a further wave of consolidation occurs, the official speculated that within a few years even an overseas location -- where the bulk of employees are already gravitating and countries are eager for high-tech expansion -- might weigh more heavily as an alternative world headquarters site compared to a community with lagging infrastructure and where fewer and fewer HP employees reside.

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