

“State of the Downtown” speech by Scott Knies

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San Jose Downtown Association Annual Meeting

Title: “It is going to be different”

Good morning everyone. Who would have thought 25 years ago that the San Jose Downtown Association would outlast the mighty San Jose Redevelopment Agency?

At the time, business owners were fighting to stay alive as the streets were torn up for several big-ticket redevelopment projects. The Fairmont Hotel, the Pavilion Shops, Knight Ridder office tower, the light rail tracks, and the transit mall were all under construction at the same time.

In 1986, local government had no public outreach policy or formal communication with the business community. Customers were avoiding downtown because of the mess *so legend has it* that a number of merchants on First Street decided to organize a sidewalk sale. When the owners came to work the next day for the sale, their sidewalks were completely gone.

This urban legend is only part hyperbole. I opened a small business downtown in 1982 and the transit mall construction that began in 1985 was 11 blocks, storefront to storefront, all at once. For buildings like mine that

had a basement excavation, you literally had to walk across wooden planks over gaping holes to reach front doors. City building inspectors were bribed and caught. The contractor fined. An 18-month schedule turned into three years.

About this time, in the middle of this rubble, some of the old timers began talking with some of the young guns who had recently set up shop downtown. As folks shared new ideas, the concept of creating a Downtown Association emerged. Metro Newspaper founder Dan Pulcrano and photographer Ray Rodriguez walked First Street collecting \$35 dues. By the time the Association held its first meeting on Oct. 24, 1986, it had 40 members.

Meanwhile, the Redevelopment Agency decided it would take matters into its own hands. The Agency established a downtown office at the bottom of the old BofA building, where R&J Jewelers is today. Merchants along the transit mall got half their rent paid and the Agency started doing promotions to help business survive the construction. Except the Redevelopment Agency was really bad at doing promotions. For the holiday season, they hired one of those rubber tire cable cars to shuttle customers around the downtown, but the bums (we didn't call them "homeless" back then) figured they could ride it for free and get out of the rain. The media

did a big story: “Downtown trolley to nowhere.” The Agency then hired a Santa Claus to entertain passersby from the window of the recently vacated DeLa Rosa’s Bridal Shop, where E&O Trading Co. used to be at First and San Fernando. However, this Santa was nipping at a bottle during his shift and eventually passed out in the window, his grimy beard askew.

The Agency decided it had enough of promotions and figured maybe this fledging Downtown Association group might have some value after all. At the end of 1987, the RDA pledged some seed money if the Association would establish a Business Improvement District, and by March 1988, the Downtown Association opened its first office on Fountain Alley.

It is both ironic and sad that we celebrate our 25<sup>th</sup> anniversary at the same time the redevelopment agency faces its demise. Even if San Jose wins its lawsuit against the state of California for the way the state has raided redevelopment funds and ordered them out of business if the agencies don’t pay millions in ransom to the state, our redevelopment agency is broke. Facing some \$4 billion in debt, a lingering recession that moved property values sharply downward, and a state government that will continue to find ways to raid their funds, San Jose has spent most of this year winding down its redevelopment agency, laying off RDA staff and selling or transferring its remaining land.

And thus a new chapter begins. When Steve Jobs passed away last week, one of his wise quotes got a lot of attention, because it applies not just to the human condition, but to business, and institutions, and certainly what we are currently going through as a city. Jobs made this statement in 2005, the year after he found out about his cancer:

“Death is the destination we all share. No one has ever escaped it. And that is as it should be, because death is very likely the single best invention of life. It is life’s change agent. It clears out the old to make way for the new.”

I am not sure San Jose has fully grasped what it means to be without its redevelopment agency. It has all happened rather suddenly. There are those who see the end of redevelopment as a benefit – that the revitalization of downtown is no longer primarily in the hands of a public sector agency that for decades was awash in taxpayer money, skewing the market and calling most of the shots. But I wonder if the private sector is really ready to lead downtown? Regardless where the impetus of new ideas and direction comes from, there is no question the Downtown Association will have a seat at the table.

And the discussion around the table today is: What does downtown’s post-RDA future look like? The inherent advantages of downtown are

unchanged. The existing infrastructure of transportation, convention center, hotels, courts, cultural facilities, restaurants, entertainment venues, San Jose State University, office center and recent high-rise residential give downtown a solid base to build upon for the next phase of our growth. A phase that should be focused on people; that dials up downtown's vibrancy.

The Association has long advocated for a "finish one block" strategy where there is a clear center of gravity in the core, the place every concierge tells a guest he must visit. Now, depending on the given day, that center might be SoFA, or San Pedro Square, or Plaza Park, or San Fernando Street. These are all wonderful assets and the challenge is to make these separate nodes of activity AND the places between them more interesting and attractive.

This is the major work of the Downtown Association, and the PBID through its Groundwerx program. And boy do we have our work cut out for us. Because even with the dozens of wonderful civic buildings constructed during the redevelopment era, many gaps still remain in the core.

Nothing makes a street less walkable than a vacant building or surface parking lot. Downtown has a lot of these missing teeth. If landlords with decrepit buildings are hoping redevelopment is going to swoop in with grants, loans and owner participation agreements like the old days, time to

get a different strategy. This also is an opportunity for the city to rethink its incentive packages in a post-RDA world. Instead of throwing the book at older buildings with onerous permit and plan fees, multiple inspections and miles of red tape, how about rehab projects in the downtown get density bonuses, code exemptions, expedited permits and fee and tax waivers?

We constantly talk about benchmarks and measurements in San Jose. Well, one measurement is creating an environment that appeals to young women. The future work force will be increasingly dominated by women: in 2009 women earned 57 percent of all bachelor's degrees and 60 percent of all master's degrees. Women want some stability in their environment, which means downtown has to be clean and safe. But women also want more choices in where they live, places to entertain, shop, eat and recreate. Community celebrations and experiences like the farmers market, free movie and concert series, South First Friday gallery crawl and Street Markets help make the center city more appealing to women, a key measure to improving the downtown brand.

Despite the ongoing reductions of both funding and services in local government, the overall goal of strengthening the city's heart is not in jeopardy. But it's going to be different.

Redevelopment funding was 15 percent of the Downtown Association's revenue last year. The Association is facing diminished public resources like everyone else. We must pare back and re-imagine our programming so what we are able to do has more benefit to downtown and our members, for instance re-evaluating the Association's festival producing business. We must strengthen those programs that yield the highest results, such as moving forward with renewal of the PBID and Groundwerx programs. We must look to new partnerships with third sector colleagues, such as 1stACT Silicon Valley to continue "small wonders" work; and also dramatically expand our funding from foundations and grants. We must create new business models for the Association, such as a Community Development Corporation to continue some of the public infrastructure work downtown that used to be the exclusive domain of RDA.

Let me describe 10 things I would like to see rise out of the ashes of redevelopment over the next year. 1) At least one construction crane graces our skyline. It will probably be erecting a multi family residential tower. Will other cranes follow? Hopefully, a flock of them. We know the financing markets also favor Transit Oriented Development projects. Our downtown is well positioned to capitalize on this growing trend towards in-fill projects and sustainable development.

2) The City will employ its motto of “working at the speed of business” equally to small business and large, new construction and rehab, downtown and north San Jose. Given the city’s enormous budget problems, this is the time for them to fast-track planning approval, design review, fee and permit structures and inspections. Especially for tenant improvement projects! The buildings alone cannot make our city prosperous – it is the businesses and people in them. The city has shown an ability, especially under the watchful eye of Mayor Reed, to move fast for select big projects. This also needs to translate to small business and TI work as well.

3) Transportation projects are important, but only if done right. The high-speed rail plan to build viaducts and aerial structures as high as nine stories will destroy the west side of downtown. The visual guidelines for the overhead alignment were released last week and the structure is as frightful as it sounds. Luckily, the city staff and city council are getting sharper elbows with the CHSRA about demanding a tunnel alternative in the project’s upcoming EIR. It is critical we make sure transportation improvements serve the community first, not the transit agencies building and operating them.

4) The Association will join with partners to identify a site and develop an urban farm in the downtown. We will help grow healthy and

organic food, green a vacant/underutilized site, engage residents and volunteers in the farm operations, and distribute food to support local agencies that work to get homeless individuals off downtown streets.

5) Architecture matters. The aesthetics and humanity of our city can be better reflected in the built environment downtown. We will collaborate with the city, 1stACT and SPUR to provide feedback on building proposals such as the convention center expansion, emphasizing quality and functional public places while working to enhance the city's architectural review process. We will also give out Golden Nail Awards to honor examples of good design downtown.

6) Bud Selig makes up his mind. The Major League Baseball commissioner releases his long-suffering report and allows San Jose to make a bid to bring the A's to downtown. This means we would immediately launch into a campaign to win support from voters that is required for the baseball stadium. And we would triumph in that election.

7) Perhaps no other project could change the momentum of downtown more than the baseball stadium, but a couple others do come to mind. Think about the huge "Valley Title" property at the corner of First and San Carlos at the gateway to SoFA, or the ginormous Mitchell Block owned by VTA at Santa Clara Street and Market, or the three surface

parking lots between San Fernando and San Carlos Streets recently sold by RDA to the Sobrato Organization, or the Almaden Boulevard lots owned by Boston Properties, or the former Brandenburg acres north of Julian. I'm not saying any of these properties are ready to announce development plans this year, but which one will be first? It is a reminder that downtown possesses so many mega-sites that it's just a matter of time before we could deliver a quantum change in our environment – get over that elusive hump called “critical mass” on our way to more consistent vibrancy and relevancy.

8) The Community Development Corporation will be prepped for when new funding sources become available. The magic of tax increment financing is too magical to politicians – TIF will return in a different form from redevelopment. Will it be parcel by parcel? A special district around an individual parcel where the future value basis can be reinvested into that same project? What if several projects in the downtown receive some special financing this way, is there a role for the CDC to play in connecting them – making public infrastructure improvements that benefit both the projects and overall downtown? The Association sees an opportunity to ready a delivery mechanism for the next wave of reinvestment tools that will be managed much differently than a city-council directed redevelopment agency.

9) Help make the San Pedro Market a destination. Not many new projects downtown were underway and completed in the midst of this deep recession, but the public market has the potential to anchor San Pedro Square with a new level of energy and activity. It's exciting to feel the buzz surrounding the market and think about what other ventures – large and small – will complement it.

10) The Downtown Association will be the lead on place management in the core. This means a successful renewal campaign for the PBID and Groundwerx. We will place a premium on experience and aesthetics. A property owner the other day who was balking at the cost of maintaining our flowering baskets asked if he could use plastic plants. Nope! That isn't the authentic experience we are creating downtown. Plastic has its place, but not in the flower boxes of the center city.

What's my conclusion? The road ahead for downtown looks bumpy and uncertain to some; to others it's paved with promise – and full of prime development sites. Nobody would have predicted 25 years ago the redevelopment agency's abrupt end, but it is also the chance for downtown to reinvent itself and start anew.

Please join us. You would not be here at 8 a.m. on a Thursday morning if you didn't care. Listen to the volunteers, residents, business and

property owners about to make their brief reports. If something catches your interest, ask one of us . . . and get involved in the making of a city. It is an effort that is always evolving, just like each of us.

Thank you for being here, and enjoy the rest of the meeting.