

“State of the Downtown” speech by Scott Knies

October 10, 2008

San Jose Downtown Association Annual Meeting

Good morning. Welcome Downtowners. Thank you all for being here so early on a Friday morning.

It seems every newspaper or web browser headline these days is a bummer. Today’s Mercury News headline was sure a buzz kill. Certainly downtown knows well the effects of the credit crunch and near demise of our financial system. I’m aware some of our members had construction loans canceled, the cost of basic goods, like oil and flour in our restaurants, has doubled or more, and businesses have had lines of credit frozen. Our state passed a budget with accounting gimmicks none of us – except maybe the financial firms that will receive the bailout help – would ever employ, but not before Sacramento grabbed \$13 million from our Redevelopment Agency, which in turn forces the city to re-jigger its budget.

Despite the shadow of these dire economic conditions, the lights are still very much shining for downtown. It has been interesting the past weeks listening to the media and politicians talk about “Main Street not Wall Street,” and there is a reason for that, because we understand what they’re talking about -- small business, mix of uses with both traditional merchants and new entrepreneurs, good old fashioned customer service, the can-do spirit – this has always been the economic bedrock of communities. We don’t need to rediscover our Main Street values in the downtown; we need the rest of our partners in the private and public sector to live up to them.

There are several specific things we can do downtown while our economy recovers the remainder of this year and into 2009. Life shows us this is not a linear journey and most of you in the room have been through down cycles before. Let us use this time strategically to prime the pump for when the cycle is ready to uptick again and we can be ready to launch big deal projects – like expanding the convention center. In the meantime, there are plenty of smaller scale projects to implement that can help make our downtown more livable, vibrant and interesting.

Let's face it, downtown's four new beautiful high rise condo towers couldn't have picked a worse time to hit the market. While the condos are not exactly flying off the shelf, they are moving -- City Heights is more than half sold, the first wave of Axis owners began to move in last month and The 88 will open in October. 360 topped off construction last week and is going to open next year. These four projects represent 853 units and as they sell, and new residents move in, the energy increases incrementally downtown, as does the demand for more retail, more sidewalk cafes, cleaner streets, more dog parks, and better soundproofing for subwoofers at 2 a.m.

One of the trends the Downtown Association is committed to influencing is the profile of our new high rise resident – we are not seeing as many young hip urban professionals as we had hoped in the initial buyers. Now, given the current market, boomers and empty nesters -- any buyer, really, is welcomed with open arms (and a move-in bonus). However, it remains challenging for downtown to attract the high tech, creative urban types to live here. Part of the challenge is San Jose is still mostly a small Midwest town in a big city body. That is both our charm and our dilemma. We have many excellent big city amenities – fantastic dining, diversity, entertainment, best

weather in the world, -- without the big city problems of crime, grime, inaccessibility, pollution . . . but San Jose too often behaves much like a big suburb that is just beginning to figure out how to make itself into a city. Don't get me wrong -- we've come so far -- the gaps in downtown's aesthetic and cultural fabric are not as glaring. We have demonstrated a fairly successful strategy for bringing empty buildings back to life thanks to the Redevelopment Agency and property owners rehabbing historic structures and infilling some key lots. Albeit some of this has happened much slower than anyone wished -- I heard for sure that Flames restaurant will open before BART is completed.

Patience is a virtue, but the young upwardly mobile are an impatient bunch. Carol Coletta, head of CEO for Cities, was in town yesterday and spoke about how critical it is for downtown's labor force to attract young creative sector workers. She said most of this workforce choose where they want to live first, then find the job. My two sons are poster children for this trend. Willow Glen and Lincoln High grads, now 22 and 25 years old, they both live in New York, in Brooklyn and SoHo. Both moved out there without jobs because they wanted to be in New York City. The fact is, that for the young adults, place is what matters, and with choices of high density living throughout the San Francisco Bay Area, downtown San Jose has a ways to go on the coolness meter.

That is a primary reason why 1st ACT formed -- to help connect Silicon Valley to its own community. This makes sense on many levels: much of Silicon Valley is driven by high-skill, high wage jobs that require creative people. Creative people like to be around other creative people. Where is the urban center of Silicon Valley? Like it or not, it is downtown San Jose -- and we happen to like it alot. The Downtown Association and 1st ACT share a vision for downtown: We believe by raising the coolness factor we

actually make downtown more attractive to EVERYONE: students, residents, retirees, employees, conventioners, theater goers, lovers, baby strollers, dog walkers, bike riders, hotel guests, bar hoppers, and eventually, shoppers. Plus, it will help us sell condos.

The four new condo towers articulate this vision, but in Silicon Valley not everyone is listening: we need to better translate our potential at the street level. We must have special public places. You have heard us talk about implementing “small wonders” throughout downtown and what does that really mean? Well, one of the “coolest” scenes in the city happens every First Friday of the month when downtown’s galleries and museums open late with free admission, cutting edge music, pedicel rides and a lot of folks roaming the streets, centered on South First, wearing some great shoes. Isn’t art and fashion always going to be one measure of cool? Another example of the small wonders is the SoFA demonstration project, approved this past Tuesday by the City Council. This is a joint project funded by 1st ACT, the city and RDA that acknowledges the importance of activating the public realm, by taking the street back from the traffic engineers and widening sidewalks, narrowing car lanes, adding more people space. Our SOFA committee has worked closely on this project and you will hear a bit more about it later in the agenda. Another small wonder is the Redevelopment Agency’s project to simply lower the lights on the Transit Mall. The old fashioned acorn lights installed 20 years ago on 12 blocks of 1st and 2nd street were always too high, and as the sycamore trees have grown in, there is even less light reaching the sidewalk – the places where the people are. Last year the RDA lowered the lights between Santa Clara and San Fernando, and the sidewalks were instantly so much brighter they are doing another couple blocks this fiscal year. That’s an example of a small wonder with a large impact,

something we call a “big wonder,” and we thank Mayor Reed and the city council for their commitment to downtown when they support these projects.

This approach of working together, leveraging private, public AND non-profit sector funds, is necessary given the economic conditions facing big cities. San Jose understands the recipe to make our city better is by collaborating, combining resources and taking some risks. From the just approved City of San Jose public art plan which includes proposals for large scale signature and iconic art installations downtown; to the proposed San Pedro plan, envisioning a revitalized SPS centered around St. John Street with better utilization of publicly-owned properties like Fallon House and Peralta Adobe, to the Mayor’s progressive green city initiative which includes a new green building policy for the private sector – these plans exemplify the spirit of targeted investment, shared resources and bold ideas that are absolutely required if downtown is to truly evolve into the region’s “creative urban center.”

But we face challenges to our vision for downtown, and those of you who have worked with us the past 21 years know the Downtown Association does not shy away from the challenges. We are usually in agreement with our public sector partners on the end goal, but we sometimes differ on the means to that end. I want to briefly mention three things we are currently working on that fall into that category: building heights, music in the park, permits.

The Downtown Association stopped a City of San Jose plan in late 2006, crafted to appease the airport and a couple airlines, that would have reduced the height of all future downtown buildings lower than what the Federal Aviation Administration requires. We have been studying the situation since in partnership with the Chamber,

airport, RDA and developers. I'm sorry to say we are looking at recommendations nearly identical to 2006 despite the fact we have now agreed to "preserve" the entire west side of downtown over by the arena to be a reduced height area. This compromise was necessary to provide a corridor in the event a plane taking off to the south might lose an engine and need to safely make a course correction.

However, this west corridor isn't good enough. There are a couple airlines who apparently would prefer not to adjust their flight operations plan and instead also want a straight ahead corridor over the downtown core with reduced building heights in addition to the west corridor. Think about that. Now we don't begrudge a couple airlines for asking, and we know how tenuous their business is right now. Nor can we fault the airport for supporting their primary tenants . . . but why would San Jose self-limit the future growth, higher densities, economic model of our center city for potential flights that may not ever manifest, and besides, if we do recruit the flights, we have provided a turn corridor anyway. This is not a safety issue – the FAA does not let airplanes take off if they can't clear mountains or buildings. It is an economic issue because a couple airlines don't want to change their procedure or possibly take a weight penalty.

And you know what, they don't have to because now we would have this corridor on the west side of downtown. We simply cannot allow the honey spot for future development in the middle of downtown also be sacrificed with lower building heights. Our message to the Mayor and city council is clear: do not limit our city's future by scalping the top of downtown just because times are tough for the airline industry.

There was an incident this summer that shook the foundation of the Downtown Association's events program. In June, after two concerts at our Music in the Other Park

series, we were notified by the ABC – state Alcoholic Beverage Control -- that our liquor license was being revoked for the final two shows at St. James Park. This was astonishing given we had just produced two peaceful shows in St. James and we had never been cited – not once in the 20 year history of producing free concerts downtown. But on June 12, San Jose Police officers caught three minors in possession of alcohol, packaged those citations up with some other observations, and delivered them to the ABC who yanked our license. We appealed the revocation to the ABC while forced to produce one dry show, costing the Association \$25,000, and got our license *reinstated* for the next concert, but the event will never be the same.

Sometimes it takes a crisis to really effect change. We can look back with the benefit of hindsight and question if our management controls were too lax; wonder why the police didn't just talk to us; if the Downtown Association was singled out for selective enforcement; how nobody in the city administration challenged the police tactics -- you know, if you spend an hour at a large public event searching for minors anywhere alcohol is served – from a Stanford game to Shoreline Amphitheater to Willow Glen Founders Day – you will always find one – that's what minors do, they sneak booze into venues; and if this is how a good operator like the Downtown Association is treated are treated in San Jose – one who hires off duty police officers, pays sales tax, pays for city permits, pays for city service costs and communicates openly with the city, how can we possibly ensure the fun factor will not be regulated out of the downtown?

Well, rather than act the victim and whine about how we got royally screwed, we instead got busy fixing our side of the street. There's always room for improvement, especially when you produce public events, and we didn't hesitate to fix what was within

our control -- canceling one show in August previously scheduled for our Music in the Park 20th anniversary series in Plaza Park, at a substantial financial penalty, and replacing the act. And as for Music in the Other Park, it's done. Our board began an immediate reevaluation of that series, and you will hear a brief report on their substantial progress. Although no recommendation has yet been made – don't expect this organization to abandon St. James Park.

The third item I wanted to mention is improving the permit process. This seems to be the goal of every city administration, every chamber and downtown association year after year. And you know why? Things are not working in the San Jose building department. They consistently miss deadlines. In fairness, the planning staff is buried, but given the high fees the city charges, there should be a certain level of service, accountability for the department's turn around times and more of a project advocate spirit for the business and property owners trying to invest their money to construct buildings and open businesses in the city. After all, if we are going to get this economy out of the hole, we need projects approved in a timely manner. The city staff is telling the city council everything is fine, it is not fine. We watch with envy the examples of the big solar company or other marquee projects that receive the VIP "speed of business" approvals while the other 90 percent are asking "where's my permit?"

The Downtown Association, noticing Mayor Reed has emphasized certain areas of the city for economic development, primarily North San Jose and downtown, has suggested a potential solution where the Redevelopment Agency, instead of the city, processes permits for these priority areas. The Planning Dept. seems overwhelmed and is distracted with the General Plan process. If RDA can help with permits in a few focused

areas it would free up planning dept. resources for the rest of the city. Now we are far from convinced giving RDA the permitting authority is a panacea – the same questions of timing and competency must be addressed – planning is such a critical function and must be done right. But the city is not going to improve its permit process without doing *something* – change is not going to happen without trying new approaches. We remain optimistic something will happen because this Mayor understands a city cannot provide quality services to its citizens without strong, private-sector growth – and if San Jose is not competitive in our fees and speed of approvals, then we will see business locate elsewhere.

I really appreciate seeing all of you here this morning. Why are you here? Because you want to make downtown San Jose even better than it is today. And that is really why our future is so encouraging. Just like all the volunteers who are about to speak to you from this podium -- everything they do, you do, we do -- is contributing to the improvement of downtown. This is not Sacramento or Washington or San Francisco, you can still get involved on a meaningful level here in San Jose and make a huge impact because your heart and the ideas you offer are truly valued. That is a real difference between our community and others, because if we keep at it together, there is nothing we can't realize. Let us be mindful of what we wish for, because it just might come true.

Thank you again for your attention.