

AN ADVISORY SERVICES PANEL REPORT

Downtown San Jose, California



Urban Land
Institute

Downtown San Jose, California

Enriching the Quality of Retail Revitalization

June 4–9, 2000
An Advisory Services Panel Report

ULI—the Urban Land Institute
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About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a non-profit research and education organization that promotes responsible leadership in the use of land in order to enhance the total environment.

The Institute maintains a membership representing a broad spectrum of interests and sponsors a wide variety of educational programs and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has some 16,000 members and associates from 60 countries, representing the entire spectrum of the land use and development disciplines. Professionals repre-

sented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academicians, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

This Advisory Services panel report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

Richard M. Rosan
President

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About ULI Advisory Services

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's Advisory Services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI panel teams are interdisciplinary and typically include several developers, a landscape architect, a planner, a market analyst, a finance expert, and others with the niche expertise needed to address a given project. ULI teams provide a holistic look at development problems. Each panel is chaired by a respected ULI member with previous panel experience.

The agenda for a five-day panel assignment is intensive. It includes an in-depth briefing day composed of a tour of the site and meetings with sponsor representatives; a day and a half of hour-long interviews of typically 80 to 100 key community representatives; and a day and a half of formulating recommendations. Many long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. At the request of the sponsor, a written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stake-

holders in the project under consideration, participants in ULI's five-day panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academicians, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective advice that will promote the responsible use of land to enhance our environment.

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Special thanks goes to the staff of the Redevelopment Agency of the City of San Jose for preparing the excellent panel briefing book. In particular, the panel would like to express its appreciation to the following members of the redevelopment agency staff: Deputy Executive Director Harry Mavrogenes; Director Leslie A. Little, Downtown Management Division; Program Coordinator Jim Schutz; Senior Development Officer Kelly Kline; GIS Specialist Dawn Aiu; Communications Officer

Peggy Flynn; Communications Assistant Paul Asper; and Secretary Shirley Rodriguez. Kline organized the panel's program, conducted the site tour, and set up 162 interviews with business and community leaders. Kline, Little, Schutz, and Asper all worked above and beyond the call of duty to ensure that the panel had all the information it required and rendered every possible assistance, with great efficiency and good cheer, in demanding time frames.

The panel interviewed more than 160 government officials, community leaders, businesspeople, and other citizens, and is indebted to all of them for taking time out of their busy schedules to share with the panel their views and aspirations for downtown San Jose. Their participation enabled the panel to make recommendations based on a broad range of balanced and timely information.

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Foreword: The Panel's Assignment

The Redevelopment Agency of the City of San Jose asked the panel to help it enrich the focus, quality, and effective implementation of its downtown retail revitalization program. This program includes the downtown retail strategy currently being prepared by the agency's consultant team.

The panel was asked to identify:

- The most appropriate market niches, retail themes, and target markets for the downtown to serve;
- How to create storefront continuity, critical retail mass, a strong reputation that is attractive to good credit retail tenants, a top-quality built environment, an ample supply of parking, and a safe and clean environment;
- How to create physical linkages between the downtown retail area and housing, office, cultural, recreational, and public buildings and places;
- Development opportunities and their optimal locations;
- The appropriate type of anchor tenant to successfully implement the downtown retail strategy;

- How this strategy can best incorporate the historic district along First and Second streets;
- The amenities needed to support and enhance the retail environment;
- How to prepare and adopt a marketing plan for the retail strategy that enlists the support of downtown residents, employees, convention attendees, and tourists; and,
- The appropriate role of the agency and the private sector in implementing the retail strategy.



Location map.

Overview and Summary of Recommendations

The panel believes that a solid foundation exists on which to conceptualize and implement an effective retail revitalization program in downtown San Jose.

An extensive range of civic, cultural, and entertainment investments already has been made in downtown San Jose, in places that include the San Jose McEnery Convention Center (and nearby hotels), the Tech Museum of Innovation, the Children's Discovery Museum of San Jose, the San Jose Museum of Art, the San Jose Arena, the Plaza de Cesar Chavez, and First and Second streets with the urban design works and mature street tree plantings.

Because of the disconnected nature of these projects and spaces, most visitors to downtown San Jose go there on single-purpose trips. Whether they come downtown to work, attend an entertainment event, or simply have a meal, they go straight home when they are done, because they have not been made aware of everything else the downtown has to offer. In essence, downtown San Jose has many stand-alone projects but no sense of place; many lavishly designed spaces, but no memorable "brand" that people recognize as uniquely downtown San Jose.

San Jose's citizens enjoy one of the highest disposable incomes in the United States, but many

are time poor as a result of the area's high-tech and fast-paced economy. When time is a scarce commodity, people reward the places that provide them with the most enjoyable experiences by returning to them again and again. Yet downtown San Jose currently offers its citizens nowhere near the menu of entertainment, retail, and residential experiences that they demand. What it does offer is a collection of disconnected activities—much like a multicourse meal in which each course is served at a different restaurant. The problem is that its patrons either get lost or simply lose interest trying to find the venue for the next "course." The "view" to the next leisure retail and shopping opportunity is either nonexistent or out of sight and, therefore, out of mind.

Having invested their time in a trip downtown, customers or patrons leave with money in their pockets and latent frustration that they have to travel to Los Gatos, Willow Glen, Valley Fair, or San Francisco to find the merchandise, experiences, and memories that will balance their frenetic working lives. As a result, many people have stopped considering downtown San Jose as an option and have gotten out of the habit of shopping downtown.

The panel believes that downtown San Jose needs to broaden its menu of merchandise and dramatically improve the experiences it offers. The trip from one venue to another must be made simple, exciting, and alluring. Along the way, patrons must experience activities and places that are pleasantly unexpected and enticing. Visiting downtown San Jose must become a coherent, memorable, and enjoyable experience that appeals to all the senses: sight, sound, taste, touch, and smell.

The panel notes that multipurpose trips constitute an efficient use of modern, time-poor lives. When people visit a place that creates fond memories, they develop a subliminal habit of repeat



This existing downtown facility offers no "view" to the next leisure retail and shopping opportunity.

visitation. This can result in increased cash flows, which in turn generate increased retail sales, which support higher rents, which boost capital values, thereby creating sustainable real estate investments, a strong property tax base, and a uniquely branded community asset and noncash benefit that downtown employers can offer their valued workforce. It also constitutes a significant incentive for downtown residential development.

In summary, the panel believes that downtown San Jose's retail strategy, and the retail revitalization program that will underpin it, must:

- Identify and package the retail space that can be currently offered to the market;
- Set a strategic direction for the retail mix and identify target retailers, using the existing strong food and beverage and entertainment retailers as the foundation for a more diverse and complete retail mix;
- Understand and match available space to the needs of targeted retailers;
- Manage the retail mix and configuration so as to promote a "view" to the next retail opportunity;
- Create essential new retail, office, and residential space in a catalyst redevelopment project, which will be needed to attract the right balance of national and local retailers;
- Package and expedite development approvals so that targeted retailers are offered an attractive commercial deal that will be a competitive alternative to those currently on offer at nearby shopping centers;
- Provide and manage the required parking lots and garages to create a pleasing and memorable downtown shopping experience and create downtown "ant tracks" (the high-volume pedestrian routes that shopping malls use so effectively to capture retail sales);
- Manage the downtown real estate asset as an integrated whole (like a shopping mall);
- Retain and improve the skills of existing downtown retailers, where this is cost effective;



- Incubate new local retailers to leverage the city's ethnic diversity into a rich downtown retail mix;
- Reengage the community, so that it will invest its energy and resources in the reconstruction of, and reinvestment in, downtown San Jose; and,
- Draw together a new partnership between the redevelopment agency, the San Jose City Council, the community, and the private sector that will be supported by a strong, enforceable, and innovative "place-making code" and marketing campaign for downtown San Jose.

The San Jose McEnergy Convention Center, one of an extensive range of stand-alone civic, cultural, and entertainment investments that have been made in downtown San Jose.

These conclusions and recommendations are the result of the panel's research and analysis process, which began with a concise understanding of downtown San Jose's market potential and evolved from the identification of planning and design criteria necessary to create a unique "brand" or sense of place for downtown San Jose, the development strategies essential to achieve this, and the implementation program to make it happen.

Market Potential

Until the early 1960s, downtown San Jose was a thriving retail district that served the city's suburban neighborhoods and surrounding communities. First street was once home to JCPenney, Crescent Jewelers, Woolworth, Montgomery Wards, and Harts.

The construction of San Jose's suburban freeway network created opportunities for the rapid development and renovation of large suburban malls in the 1970s, such as Valley Fair, Vallco Fashion Park, Eastridge, Oakridge, and Sunnyvale Town Center. This led to the closure of downtown department stores and other major retailers, which began the demise of downtown San Jose as the city's major retail center. The construction of the light-rail system, transit malls along First and Second streets, and other downtown construction activities were undertaken in a manner that disrupted retail trade and reinforced the attraction and convenience of the suburban shopping malls. Consequently, the downtown's retail market share and retail sales eroded even further. Once the transit malls were completed, on-street parking and servicing and delivery for the remaining shops became very difficult.

In 1988, the Pavilion at San Jose, a 106,169-square-foot, predominantly internally oriented shopping mall opened at 150 South First Street behind the Fairmont Hotel. The center's tenant mix, location,

and design contributed to its early decline. The failure of this new downtown retail facility further undermined confidence in the downtown as a successful retail location. The internal mall retail space now is used as an Internet colocation facility by AboveNet Communications.

On October 17, 1989, the Loma Prieta earthquake struck San Jose. While it did not destroy the remaining downtown retail buildings, it did cause damage that required significant structural work, which further disrupted retail trade and led to the relocation and closure of more shops and the fragmentation of large parts of the downtown retail street frontage. Ten years later, the city's unreinforced masonry ordinance required that buildings that had not been seismically retrofitted be vacated until they complied with the earthquake safety code.

San Jose's once vibrant downtown retail area has severely declined. Major changes in tenant mix and product range have taken place. Today, discontinuous retail storefronts make it difficult for shops to operate and for customers to access them. The city zoning ordinance in existence at the time of the panel's deliberations contained no provision to regulate ground-floor uses. As the term "street-level uses" was not defined, no regulatory mechanism existed to preserve ground-floor space for particular uses.



The Pavilion at San Jose, the internally oriented downtown shopping mall now is used as an Internet colocation facility.

A New Retail District

Today, apart from restaurants and cafés, most of San Jose's prime retail establishments can be found in the area located just 3.5 miles from downtown San Jose, north of the intersection of Highways 280 and 880. This area is anchored by the currently expanding Westfield Valley Fair shopping mall (which, on completion, will contain 1,560,000 square feet of retail space) and the Century 21-24 cinemas. The area's retail and enter-

tainment facilities are about to be significantly expanded. While the panel was in San Jose, Federal Realty Investment Trust began demolition and site work for its new 675,000-square-foot main street retail project, Santana Row, which also will include 1,200 apartments, cinemas, a boutique hotel, and parking garages.

The completed Santana Row and Westfield Valley Fair projects will provide a total of more than 2 million square feet of retail space and will offer shoppers the choice of a recently refurbished air-conditioned shopping mall or a contemporary main street shopping environment, an extensive range of merchandise, an excellent selection of department stores and other national and local retailers, convenient access, and extensive on-site parking.

The Need for a Downtown Retail Strategy

By comparison, only 1,093,068 square feet of retail space currently is occupied within downtown San Jose, of which only 189,282 square feet (only 17 percent of the total retail space) consists of shops. The remaining 83 percent of the downtown's retail space now houses restaurants, cafés, bars, entertainment facilities, and services.

Many of the remaining downtown retail buildings are of an inadequate size and configuration for national retail tenants. Several buildings remain vacant pending expensive reconstruction to satisfy the earthquake protection code. Downtown retail rents are not competitive with the currently strong office market. As a consequence, downtown street-level retail space is being taken over by offices or Internet colocation facilities, which further disrupts the retail continuity and choices available in downtown San Jose.

Strong Demographics

Santa Clara County (the San Jose metropolitan area) covers 1,300 square miles of the southern San Francisco Bay Area. The county's 1999 population of 1,715, 374 is projected to increase to 1,824,531 by 2004. The city of San Jose (California's third-largest city), which covers 177 square miles, accounted for 909,062 of this 1999 popula-



The Westfield Valley Fair mall will contain 1,560,000 square feet of retail space when its current expansion program is completed.

tion and its population is projected to increase to 978,836 by 2004. San Jose is at the center of Silicon Valley, the computer and digital technology capital of the world.

Job growth continues at about 2 percent per year and the unemployment rate has fallen to 2.4 percent. Since 1990, San Jose's average annual household income has grown by nearly 50 percent, reaching \$87,023 in 2000. With its population growth rate and affluent population, San Jose offers excellent demographics for retailers. Over the past four years, household disposable income has risen by 8.3 percent and retail sales volume has risen by 6.5 percent.

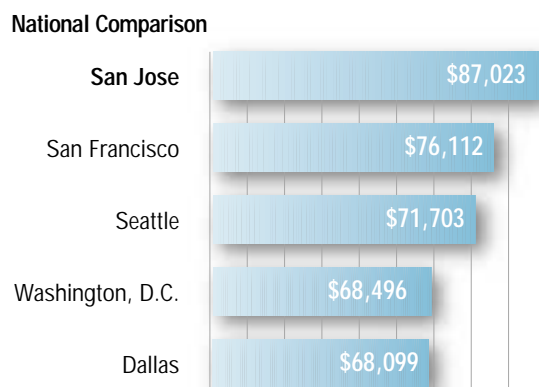
Figure 1 Demographics Summary

Seven Mile Radius of Downtown San Jose

Population	1,021,693	
Number of households	341,469	
Average household income	\$83,447	
Average family income	\$93,496	
Per capita income	\$28,000	
Median age	34	
Education	52% more than 4 years of college	
Housing values	46% above \$400,000	
Income breakdown	12%	\$150,000 – \$500,000
	17%	\$100,000 – \$150,000
	17%	\$ 75,000 – \$100,000
	46%	above \$ 75,000

Source: The Redevelopment Agency of the City of San Jose.

Figure 2
Average Annual Household Income



Source: The Redevelopment Agency of the City of San Jose.

Figure 3
Business and Employment Profile

Downtown San Jose

Daily downtown population	
Office workers	30,000
Other workers ¹	60,000 – 100,000
Unemployment rate	
Santa Clara County	2.4%
Major employers	Adobe Systems AboveNet Communications Knight Ridder, Inc. Deloitte & Touche PricewaterhouseCoopers Calico Technology

¹ Includes those in the university, hotels, and so forth.

Source: The Redevelopment Agency of the City of San Jose.

Figure 4
Office Space Profile

Downtown San Jose

Current	6.2 million square feet
Under construction	3.0 million square feet
In development	2.4 million square feet
Total	11.6 million square feet
Vacancy rate	less than 0.3%

Source: The Redevelopment Agency of the City of San Jose.

Figure 5
Class A Hotel Profile

Existing Hotels	Number of Rooms
Fairmont Hotel	541
Hyatt Sainte Claire	187
Crowne Plaza	239
Hotel De Anza	111
San Jose Hilton	369
Total	1,447
New Hotels ¹	Number of Rooms
Fairmont Annex	260
Marriott Hotel	506
Courtyard by Marriott	200
Total	966
Total upon completion	2,413

¹ Planned or under construction.

Source: The Redevelopment Agency of the City of San Jose.

Downtown Employment Growth

Downtown San Jose contains 6.2 million square feet of office space, which houses 30,000 office workers. More than 100 technology companies are located downtown, as are city and state government offices and law and accounting firms. Vacancy rates have fallen to 0.3 percent, with downtown office space leasing for \$45 to \$55 per square foot for Class A space and \$38 to \$48 for Class C space.

Downtown projects currently under construction will add another 3.0 million square feet of office space, and an additional 2.4 million square feet have been proposed for development. The continuing strong growth of Internet-related companies continues to drive demand for downtown office space. The downtown also includes the campus of San Jose State University, an employment center that caters to 29,000 staff and students. The average age of the students is 27.5 years. Fifty-four percent of the student population is female.

A Growing Downtown Residential Population

Downtown San Jose currently accommodates 2,600 residential units, 90 percent of which have been constructed since 1990. An additional 846 units are either under construction or in the planning stages. Most units sell for prices that range from \$260,000 to \$500,000. Monthly rents range from \$1,500 for studio apartments to \$3,500 for three-bedroom apartments.

The trend toward downtown living is being fueled in San Jose by empty nesters, couples with grown children who no longer need their suburban homes (and are able to sell them at a considerable profit) and are choosing to relocate downtown. Younger singles and couples without children, whose working lives often involve erratic hours and who would like to limit the time they lose to commuting, also are choosing to live downtown. These two demographic groups hold a dominant market position in San Jose and Silicon Valley.

An Expanding Hotel Market

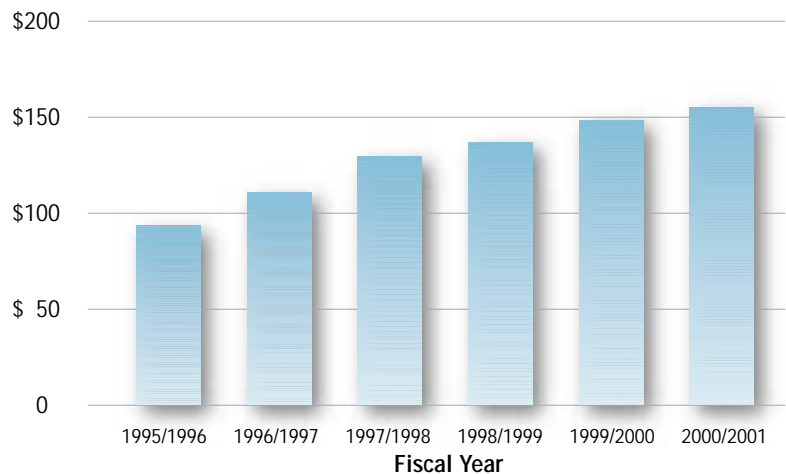
Downtown San Jose contains 1,447 Class A hotel rooms, which represent 28 percent of the city's total stock of 5,180 hotel rooms. In the last five years, the average downtown hotel room rate has jumped from \$89 to \$151 and the annual occupancy rate has increased from 71.2 percent to 76 percent. The average length of stay in 1999, 3.7 nights, provides the downtown with an additional strong market for retail and entertainment venues. Nearly 1,000 more hotel rooms are planned for downtown San Jose, in the 264-room Fairmont Annex (currently under construction); the 506-room Marriott hotel, and the 200-room Courtyard by Marriott hotel. If approved, the convention center expansion will further fuel this expansion of downtown hotel infrastructure.

Entertainment, Civic, and Cultural Facilities

San Jose's investment in its downtown entertainment, civic, and cultural facilities has begun to reestablish reasons for residents to come back downtown, albeit for a currently restricted range of single-purpose trips. An estimated 6.8 million people visited downtown in FY 1998/1999. That same year, 400 conventions, exhibits, and trade shows were held in the 450,000-square-foot San Jose McEnery Convention Center, generating

Figure 6
Average Hotel Room Rates

Downtown San Jose



Source: The Redevelopment Agency of the City of San Jose.

nearly 1 million downtown visits. The city and the redevelopment agency are considering a proposal to expand the convention center focusing on a high-tech conference center and expanded exhibit space. This proposed expansion is designed to ensure that the convention center maintains its competitive position in the convention, exhibits, and trade show markets.

The San Jose Arena, the Center for Performing Arts, the San Jose Repertory Theater, the Montgomery Theater, the Tech Museum of Innovation and IMAX Theater, the San Jose Museum of Art, and the Children's Discovery Museum together generated a total of 3.8 million downtown visits in FY 1998/1999.

The 181 events and festivals held in downtown San Jose generated a further 2 million visits in 1999. The San Jose City Council is proposing to relocate the city offices downtown, to the new San Jose Civic Center, in 2005. This center also will include the joint city/San Jose State University library, a new symphony hall, and a parking facility. The redevelopment agency is refurbishing the historic 1,100-seat Fox Theater in the SoFA (South of First Area) district. Upon completion it will be the new home of Opera San Jose. Together with the proposed expansion of the convention

Figure 7
Arts and Entertainment Profile

Downtown San Jose Venue	Size	Home to
San Jose Arena	20,000 seats 24 luxury boxes	San Jose Sharks (National Hockey League) Major concerts Arena football
Center for the Performing Arts	2,071 seats	American Musical Theater of San Jose San Jose Symphony San Jose Ballet
San Jose Repertory Theater	525 seats	San Jose Repertory Theater San Jose Taiko
Montgomery Theater	536 seats	San Jose Children's Musical Theater Opera San Jose
Rehabilitated Fox Theater		Future home of Opera San Jose
Proposed Symphony Hall		Future home of the San Jose Symphony

Source: *The Redevelopment Agency of the City of San Jose.*

center, these additional investments in entertainment, civic, and cultural facilities will further reinforce the trend toward growing downtown visitation and use.

The downtown's extensive range of restaurants, cafés, bars, and clubs (which together make up 564,428 square feet or 51 percent of total downtown retail space and created \$112,767,000 or 38.9 percent of total 1998 downtown retail sales) reinforces downtown visitation and provides a solid foundation on which to further develop the downtown retail mix.

Transportation Options

Transit Choices

Downtown San Jose is well served by 16 bus routes operated by the Santa Clara Valley Transportation Authority (VTA), as well as by the VTA's Guadalupe light-rail line, which runs 24 hours a day, seven days a week. The light-rail line runs through the downtown transit malls on First and Second streets, south to Santa Teresa and Almaden and north to Baypointe Station, where it meets the Tasman West light-rail line that runs west to downtown Mountain View.

The VTA is further expanding its light-rail network, with projected 2004 completion dates for the Tasman East Capitol line and the Vasona line. This will provide increased access to downtown San Jose. In conjunction with the city of San Jose, the redevelopment agency, and San Jose State University, the VTA also is evaluating several alignment alternatives in downtown San Jose for a future light-rail connection to the proposed civic center and to other downtown development projects.

At the time the panel convened in San Jose, a draft measure was being negotiated among the city, the state of California, and adjoining counties to extend the Bay Area Rapid Transit (BART) system down the eastern side of San Francisco Bay to downtown San Jose. San Jose Mayor Ron Gonzales strongly supported this measure, which would link the BART service to an upgraded Caltrain commuter/intercity rail link up the western side of San Francisco Bay by 2010. (This measure subsequently has been passed.) All of this new transportation infrastructure will provide a very strong stimulus to growth in downtown San Jose. The panel strongly believes that the anticipated growth in freeway congestion can be expected to give downtown San Jose a significant competitive

advantage in attracting retail development and shoppers, given its easy accessibility by public transit.

Convenient Access to San Jose International Airport

San Jose International Airport is only a ten-minute drive from downtown San Jose. The airport's proximity to the downtown provides a significant competitive advantage for many of the offices, hotels, and public and community facilities that form the basis of existing downtown investment. These investments create a solid foundation for the downtown retail strategy.

Excellent Arterial Road Accessibility

The Guadalupe Freeway (Route 87) provides north/south highway access to downtown San Jose, while Highway 280 and Interstate 680 provide east/west access. Highway 280 links to Route 880, which connects with the residential areas south to Los Gatos and north to Oakland and the urban areas east of San Francisco Bay. Highway 280 also links to the Bayshore Freeway (Route 101), which connects the residential areas south and east of downtown San Jose to San Francisco and the urban areas on the west side of San Francisco Bay.

Pedestrian Access and Parking Infrastructure

The Guadalupe River and its tributaries provide opportunities for future walkways and bikeways from surrounding residential areas to the downtown.

Approximately 25,000 parking spaces served downtown San Jose in June 2000. The redevelopment agency is planning construction of an 800-space parking garage at the corner of Fourth and San Fernando streets that is expected to open in 2002. Current parking rates range from \$0.75 to \$1.00 for every 20 minutes, with a daily maximum of \$12.50 to \$15.00 (except at one garage, which charges \$0.75 for each 30 minutes and a daily maximum of \$5.50). Downtown shoppers can receive two hours of free parking with validations from participating retailers. Several public lots and garages offer free parking during evenings and on weekends and holidays.



Redevelopment agency staff brief the panel on the need for downtown retail revitalization.

While on-street parking generally attracts shoppers and retailers, downtown San Jose, unlike many main street and downtown retail locations, has a relatively small amount of on-street parking. This is primarily due to the transit malls and light-rail lines, the need to use curb lanes as travel lanes, and virtually no diagonal (angled) parking. To overcome this disadvantage, the redevelopment agency should further invest in the construction of strategically located parking garages that encourage downtown shoppers to walk along high-volume pedestrian routes rich with views to the next shopping opportunity. These garages should be lined with street-level retail and/or residential uses. Their vehicular entries and exits should be carefully designed so that they do not significantly damage the downtown pedestrian experience.

What Is Currently Lacking?

To be successful, a downtown shopping area must have a critical mass of stores in a central location with a sense of place, one that customers and merchants find convenient and that appeals to *all* of the senses. This critical mass of stores must offer a retail mix that combines depth and choice of product with a range of price and quality. The memory created by the shopping experience is all important: it will create or destroy the subliminal habit of repeat visitation necessary to build market penetration and increase retail sales. Without this critical mass and sense of place, the current strong market potential that could revitalize retail development in downtown San Jose will remain untapped.

It is clear to the panel that most potential patrons currently do not consider downtown San Jose as their first or even second choice of shopping location. The reasons they hold this view include the following:

- The range and depth of retailers located within the downtown area is weak;
- Existing downtown retailers are located at dispersed sites and therefore find it difficult to compete with contiguous main street centers or shopping malls located outside the downtown;
- Downtown currently has no attractive, uninterrupted streetfront retail facades, which—especially if they offer extended hours—could link entertainment, work, and recreational activities to downtown residences, offices, public transit, and parking garages;
- Although place-making investments in the Plaza de Cesar Chavez and on First and Second streets have been designed to architecturally enhance these facilities, their design has not been part of a coordinated strategy to create and “brand” the downtown as a prime retail center;
- People view downtown parking as both limited and expensive, in stark contrast to the free and easy-to-access (although becoming more congested) parking at shopping malls and other competing retail centers.
- The lack of branding and marketing of the downtown retail experience contrasts negatively with Westfield Valley Fair mall and Los Gatos, both of which have been branded and marketed very effectively;
- The current zoning plan has failed to deliver continuous streetfront retail space and has allowed retail space to be converted to office uses; and
- Downtown San Jose has no “place-making code” to ensure that each activity and space effectively contributes to a cohesive and uniquely pleasing downtown shopping experience.

The Proven Formula for a Memorable Shopping Experience

A once-enjoyable shopping experience can become so unappealing that shoppers will abandon their old (often subconscious) habits and consciously seek out an alternative. Such dissatisfaction often arises when customers encounter unpleasant experiences, either in parking their cars or on the journey to or from their usual shopping locale. Congestion on highways and in shopping mall parking lots consequently is emerging as a major threat to large malls throughout North America.

Given its strong demographics and its significant investments in public transit, civic, cultural, and entertainment facilities, downtown San Jose has the potential to attract and retain repeat shoppers. By significantly enhancing its retail offer (the range and mix of retail offered to customers), the downtown could provide patrons with a wholly satisfying, uniquely pleasant, and memorable experience, from the time they leave home to the moment they return from their shopping, entertainment, or recreational trip.

Reduced to its essence, the proven formula for a memorable shopping experience is as follows: top-quality merchants plus a wide range of products and prices plus a convenient, accessible, and desirable location equals more (and more satisfied) shoppers, which equals increased retail sales and rents, which results in the increasing capital value of retail real estate assets, which creates sustainable tax revenues and a strong community asset that benefits downtown residents, visitors, and workers.

The panel believes that downtown San Jose’s retail revitalization program must be based on this proven formula. By drawing on the city’s current strong market potential, the redevelopment agency can implement an effective and successful downtown retail revitalization program.

Planning and Design

The panel believes that all future public and private investment in downtown San Jose should be seen as essential pieces of the jigsaw puzzle that makes up the complete downtown retail revitalization picture. Until now, downtown planning and design efforts have been concentrated within the property boundaries of individual development projects. This site-specific focus has created some very fine buildings, spaces, and transit systems, but it has done so at the expense of a sense of place that customers and patrons could immediately recognize as downtown San Jose.

The creation of a top-quality “brand” for downtown San Jose should be the benchmark planning and design test for all future projects and initiatives. In essence, the experience of the whole of downtown San Jose must exceed the sum of its component parts. Never again should public initiatives or capital projects be undertaken that have an adverse impact on the downtown retail experience, either in their construction or operation.

Specifically, the panel suggests that the Redevelopment Agency undertake the following actions to enrich the focus, quality, and effective implementation of its downtown retail revitalization program.

Focus on Pedestrian Safety and Streetscaping

Downtown San Jose has some very attractive facilities for pedestrians. The sidewalk paving and street-tree plantings on First and Second streets are of the highest quality, making these streets a pleasure to walk along. The Plaza de Cesar Chavez, a public square, is rich in history and features a very attractive landscape design and a distinctive fountain. The downtown’s newer high-rise office buildings and hotels give it a very modern urban feel, which is tempered by the charming facades

of several heritage-character buildings. These elements have the potential to weld together the downtown’s various parts into a distinctive and cohesive whole.

Panel members walked extensively throughout the SoFA district and other parts of downtown San Jose after dark and were impressed with the police presence and the feeling of personal safety. The panel believes, however, that this perception of safety could be further improved by the addition of illuminated and active shopfronts, the conversion of street-level offices into active retail space, the presence of more after-hours shoppers, and improved street lighting.

Take a Sensible Approach to Building Retention

Some of downtown San Jose’s historic buildings and building facades make a major contribution to its sense of place and to its “branding” as a unique retail location. The fact that some of these buildings’ historic value resides only in their facades creates an opportunity for the adaptive use of buildings that would have required prohibitively expensive seismic retrofitting to retain them in their entirety. The sensitive retention of facades, where they are a building’s only significant historic component, will allow dilapidated and obso-



Panel members walk around downtown San Jose to understand the scope of the problem.



Historic building facades and mature street-tree plantings result in an interplay of light, color, and space that creates a unique sense of place in isolated pockets of downtown San Jose.

lete ground-floor retail space to be replaced with space suitable for the retail tenants of today and tomorrow. In this way, these historic facades once again can contribute to the charm and character of downtown San Jose.

Not all of downtown San Jose's older buildings have historic value or are worthy of even partial retention. A blanket policy to retain obsolete buildings will frustrate downtown retail revitalization. The redevelopment agency should assess all buildings with no (or limited) historic value to determine whether they are structurally sound (and if not, whether it would be cost effective to make them so) and whether they could be leased to retail tenants in light of contemporary retail design. Particular attention must be paid to a building's floor-plate size, column-free space, shopfront design and street exposure, at-grade entry, sightlines, compatibility with adjacent buildings, on-site parking, servicing, air conditioning, and other building services.

If a building fails or rates poorly on these threshold tests, the redevelopment agency should pursue redevelopment options with its owner. The agency should work in cooperation or partnership



Like most recent residential development in downtown San Jose, this housing was built at sub-optimal densities and is not part of a mixed-use project.

with private owners and, whenever necessary, should use its powers of eminent domain to create the types of structures required in a downtown retail heart.

Any building demolitions should be carefully managed to ensure that they do not create long-term vacant lots or inactive sites on downtown retail streets. All new buildings must provide adaptable, street-level retail space suitable for both national and local retailers. Such redevelopment must be designed to contribute to the downtown shopping experience and to downtown San Jose's sense of place. It should form an integrated piece of the downtown retail jigsaw puzzle.

Discourage Development That Does Not Achieve Optimum Densities

San Jose is experiencing significant, continuing, unsatisfied demand for downtown housing. Much of the recent downtown residential development has been undertaken at suboptimal densities. In order to achieve the maximum downtown residential, retail, and office population, future residential projects should be built to the maximum densities allowed.

Several factors restrict downtown building densities. The flight path into San Jose International Airport limits building heights and consequently fixes the maximum density of development. Similarly, the groundwater situation effectively limits underground parking to two levels below ground level. These physical limitations restrict the total amount of floor space that can be built and encourage development at the maximum allowable densities. Any structures not built to the maximum allowable height represent a loss of floor space that cannot be recouped by increasing building heights in future downtown projects.

Reestablish the Downtown's Retail Heart

The panel believes that the initial focus in reestablishing a retail heart in downtown San Jose should be on Santa Clara Street, east from San Pedro Square to the new city hall and the Symphony Theater; on First Street, from St. James Park con-

necting to the SoFA district; and on Second Street, south of Santa Clara Street to the Repertory Theater and the Paseo de San Antonio. By concentrating its initial planning and design efforts in this location, the redevelopment agency will be able to create the critical mass of retailing that is essential to secure the range and depth of retailers necessary to attract shoppers back downtown.

The high-quality urban design street treatments on First and Second streets need to be complemented by the sensitive design, construction, and maintenance of retail-conducive urban street environments on all other streets in the retail heart. As this retail heart begins to grow, it should expand along Post Street, and south into the SoFA district. Expansion also should occur along Market Street and Third and Fourth streets. This expansion, however, should occur only after the reestablished retail heart approaches buildout or a major retail tenant requiring a downtown location finds that its only option is to locate in one of these future expansion areas.

The retail heart must have a continuous street-level retail frontage, so that shoppers can walk up and down these streets in much the same way that they walk through a shopping mall. Dead spaces caused by vacant lots or buildings need to be replaced by active uses; until this can be done, they must be illuminated and decorated so that the area does not look blighted or connote a security risk. To enhance the depth and range of the downtown's current retail mix, the redevelopment agency should identify appropriate tenants for existing publicly owned buildings that are structurally sound and suited to contemporary retail use.

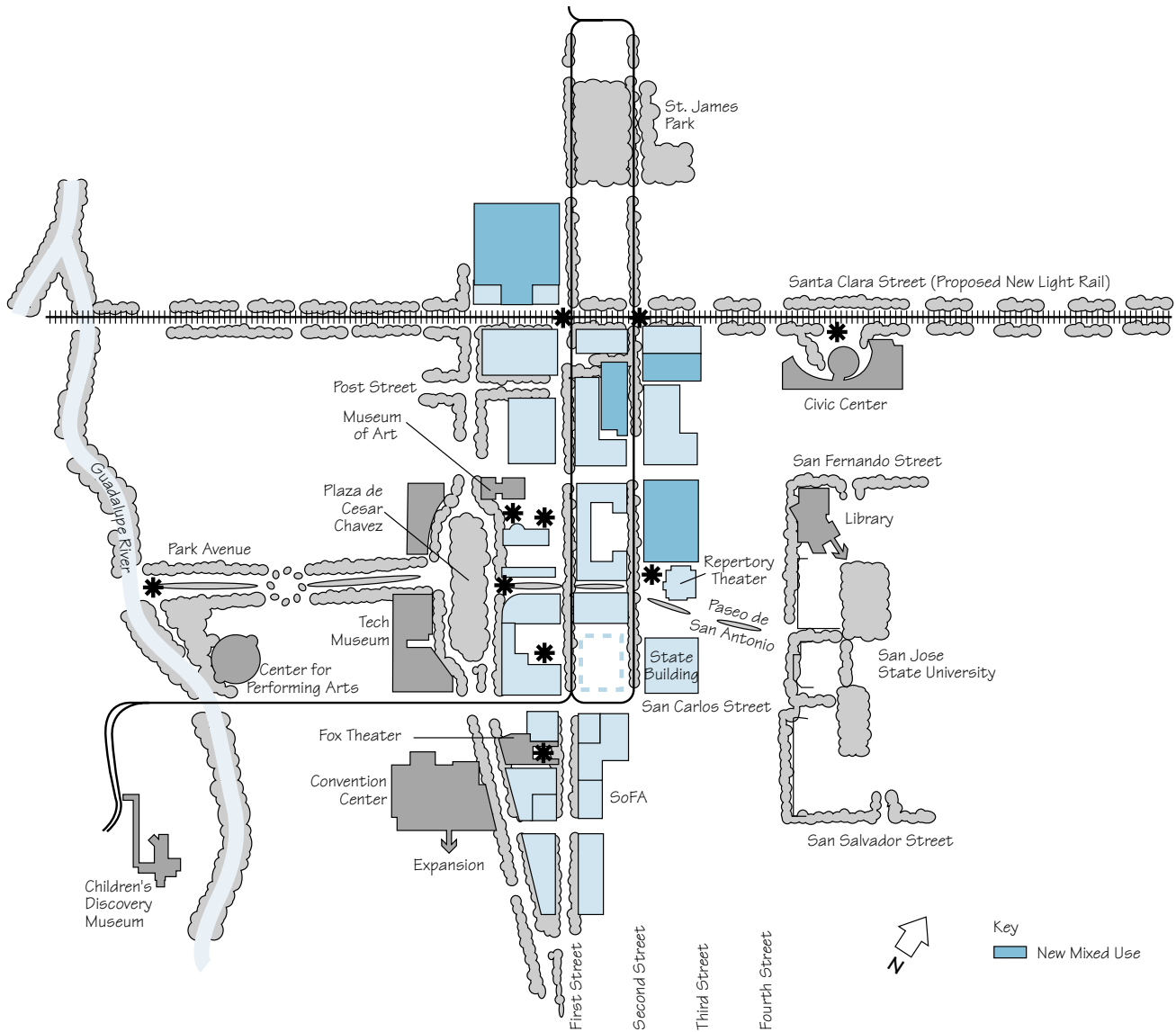
Build a Catalyst Project

Reestablishing a retail heart in downtown San Jose will require the construction of a critical mass of new, integrated retail space to augment the relatively limited amount of high-quality retail space currently found there. This new space should round out the current retail mix through the addition of targeted national and local retailers.

The panel proposes that this redevelopment project be built on "anchor" parcels that will integrate

Block 3 with the Mitchell block, the Fountain Alley parking lot, Zannotto's parking lot, and the site of the South First Street and San Fernando buildings. This project will constitute the substantial investment in new retail space that is essential to the revitalization of downtown San Jose. It should be a mixed-use project, not a strictly retail one. The project economics and customers generated by its nonretail uses will enhance and nurture its retail component. The panel's vision in guiding the planning and design of the redevelopment project is to suggest that the redevelopment agency:

- Develop a high-density mixed-use project at the corner of San Fernando and Second streets consisting of retail, office, and residential space, plus parking, that will act as an anchor and complement the downtown's historic area. This project should increase the number of downtown residents, workers, and shoppers and provide "eyes on the street" both during the day and at night.
- Develop a mixed-use project on Santa Clara at First and Market streets containing office, residential, and ground-floor retail space, plus parking, to anchor the north end of the retail heart and link this area to the San Pedro Square area and the Santa Clara commercial corridor.
- Restore historic facades wherever this is economically feasible and desirable to reinforce downtown San Jose's unique sense of place.
- Create flexible floor plates that can accommodate both current and future retail and residential needs.
- Increase density by using upper and below-grade floors.
- Create live/work units, a new and unique product in the downtown market.
- Establish an intimate atmosphere for downtown with colorful sidewalk cafés, retail shop windows that are illuminated 24 hours a day, seven days a week, and appropriate street furniture.

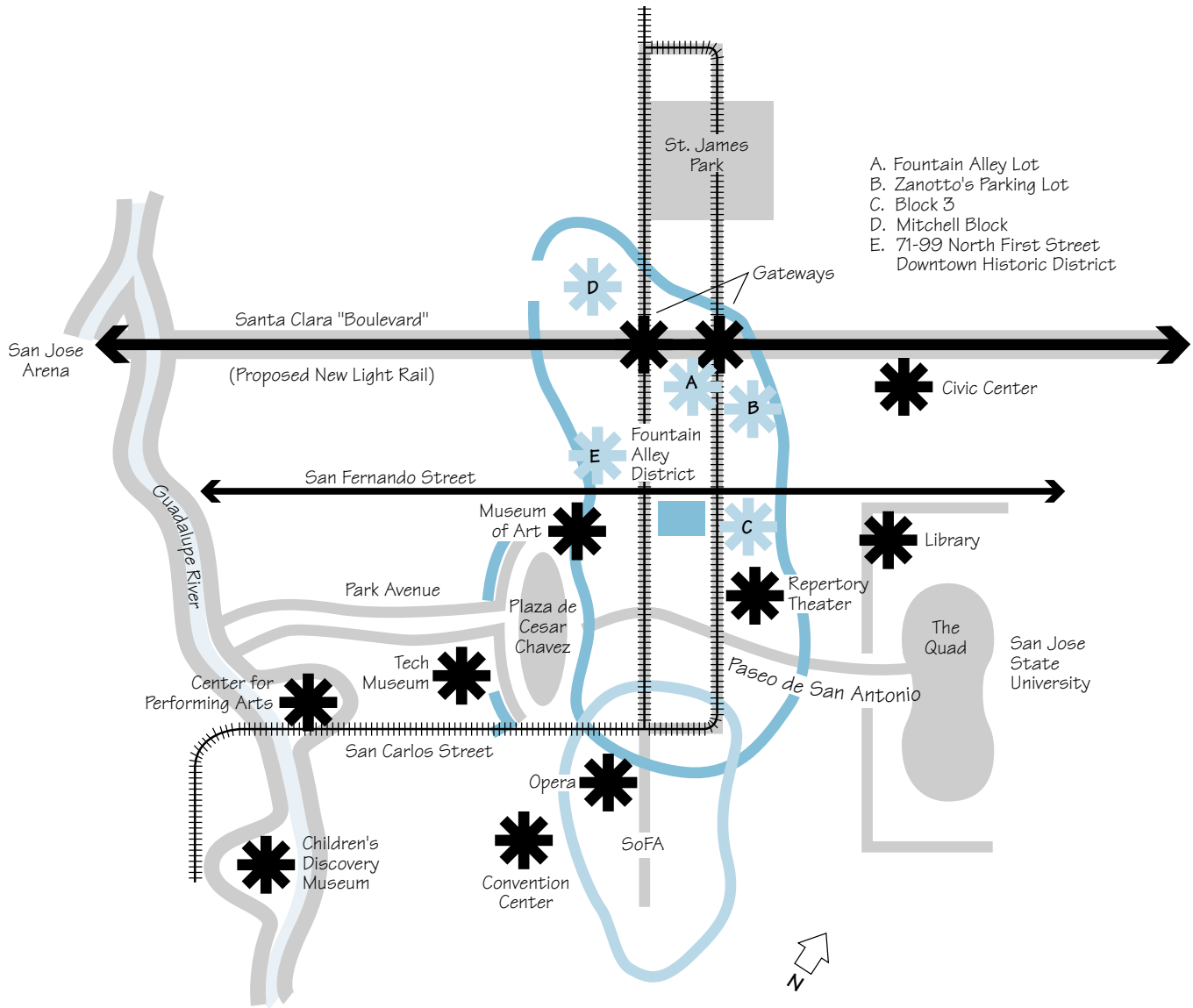


Retail core and context.

- Reinvent Fountain Alley as a gathering place and civic focus, using the new mixed-use project to integrate housing, retail space (both comparison and convenience), and parking.
- Establish an outdoor entertainment venue or plaza to complement a diverse mix of ethnic, celebrity, and neighborhood restaurants, which should be open at all hours of the day.
- Enhance the city's paseos as attractive retail opportunities punctuated and enlivened by open spaces.
- Identify/mark the retail heart with banners, outdoor kiosks, landscaping, and street furniture in a hierarchy appropriate to its scale and use.
- Reinvigorate the Pavilion and the Paseo de San Antonio by targeting unique retail tenants

for the ground floor of the office tower at the corner of San Fernando and First streets, such as digital art galleries, virtual Web sites, a giant search engine, and iconic signs and monitors, which would energize this block and radiate the light, energy, and excitement of the Internet so that travelers crossing the paseo, Fairmont Plaza, and the transit malls would have a reason to stop and experience San Jose's unique sense of place.

- Work with the Fairmont Hotel to create access to street life and outdoor cafés with shop doors that provide access to ground-level retail space from First Street, the Paseo de San Antonio, and Fairmont Plaza.
- Soften Fairmont Plaza with turf, hedges, and other indigenous plants around the Seal of California.



- Provide a way-finding kiosk with a map denoting the downtown's civic, cultural, retail, and mixed-use areas. This map also should be incorporated into a downtown Web site that digitally reinforces the downtown's many shopping and entertainment opportunities.
- Transform the plazas and the paseos into softer, greener, and more inviting spaces.
- Place public artworks that reflect San Jose's ethnic diversity and cultural achievements along the Paseo de San Antonio.

Create "Ant Tracks"

The streets, arcades, and paseos in the downtown retail heart serve the same function as the interior common spaces in a shopping mall. They should concentrate pedestrian traffic along "ant tracks," which are understandable, well-used pedestrian

connections that create interest, excitement, and views to the next leisure retail or shopping opportunity. Unlike shopping mall pedestrian connections, the ones to be created in downtown San Jose will be unenclosed, allowing downtown shoppers to bask in natural light and fresh air. They will make the downtown shopping experience exciting by encouraging people to explore the downtown on foot.

Downtown San Jose needs to develop pedestrian routes that all users (particularly visitors) intuitively understand. Different routes should trigger different sensory responses, thus enabling pedestrians to experience the north/south streets that provide connections between the downtown office precincts differently from the east/west streets linking San Jose's cultural and civic destinations. This should significantly contribute to the creation of a uniquely downtown San Jose experience.

Downtown elements and circulation.



Creating active retail frontages, pedestrian routes, and a sense of place are essential to the downtown retail revitalization process.

These pedestrian routes must be lined with stimulating activities. They must provide views to the next leisure retail and shopping opportunity, vistas or cues that prompt pedestrians to continue their shopping experience and stimulate their desire to explore downtown San Jose further. Good retail design is critical to creating frequently used pedestrian routes and should not be confused with stand-alone icon architectural design. The focus must be on meeting the sensory needs of the customer, for it is the customer who makes the purchase, which pays the rent, which creates the property value and reinforces the property tax base.

Provide a Hierarchy of Experiences for Pedestrians

Retail activities must be developed within a pedestrian-friendly framework. The development program should establish a three-tiered hierarchy designed as a greenbelt network that identifies the ceremonial, boulevard, and small-street network that enriches the experiences of downtown pedestrians. Ceremonial streets such as Park Avenue and Market Street represent gateways or formal entrances that lead pedestrians through and around downtown's front door, the Plaza de Cesar Chavez. These gateways should be enhanced with formal landscaping or other park features that define the importance of these corridors for both vehicular and pedestrian users. The "boulevards"

of Santa Clara, San Fernando, San Carlos, and First through Fourth streets are the downtown's "working streets." They should feel like true boulevards, with trees along both sides, landscaped parkways and medians (where possible), and "designated corners" with landmarks or signage for pedestrians and transit stops. Finally, small streets such as Post Street, Almaden Avenue, and the Paseo de San Antonio should be celebrated as intimate spaces serving as primary pedestrian thoroughfares and as a second-tier thoroughfare to San Jose's open civic spaces. These spaces provide wonderful settings for the city's many art fairs, street festivals, poetry contests, and outdoor cinemas. Their scale and landscape treatment should be intimately human, with street furniture and light pole banners that identify stops along the pedestrian routes.

Manage Transit and Traffic to Enhance the Downtown Experience

Transit routes and stops must focus on bringing people downtown. They must be designed, constructed, and operated with the clear understanding that if they undermine the downtown retail experience they also will undermine the transit system's patronage, financial viability, and reason for existence. They should not be designed as an alternative to walking around downtown. Routes and stops that are insensitively placed and designed could undermine the creation of the pedestrian routes that are so essential to creating a unique downtown San Jose experience. The panel does not favor proposals to increase platform heights on the downtown light-rail stations or to introduce new rolling stock that would be more intrusive in either height, bulk, or length, as these would have an adverse impact on the downtown retail streets, block the view to the next shopping opportunity, and degrade the experience of shopping downtown. Transit and other forms of transportation must bring people downtown and be constructed and operated in a way that does not fragment or disable the retail experience.

Sidewalks, paseos, and plazas need to be on one level and thus free of the interruptions caused by changes in level. Sight lines for both pedestrians and drivers need to be clear and should be framed

either by elegantly designed buildings or by street trees, which create shade and filter natural light. Advertising and storefront designs must be tasteful and should contribute to a sense of place that is unique to downtown San Jose.

The downtown streetscape's contribution to a sense of energy and life downtown should be harnessed to ensure personal security and comfort. Driveways that cross sidewalks need to be made as unintrusive as possible and their sight lines should not constitute a safety hazard for pedestrians or vehicles. Parking areas and garages need to be conveniently located, but not so close to a particular venue or shop that they discourage customers or patrons from walking through the downtown.

Give Special Attention to Three Areas

The panel feels that three downtown areas—the Plaza de Cesar Chavez, the SoFA gateway to downtown, and St. James Park—require special planning and design treatment.

The Plaza de Cesar Chavez, which represents the formal entry to downtown San Jose, is beloved by all residents and visitors. Its history and peaceful, cooling atmosphere give passersby a reason to stop and take notice. This space is home to many activities that celebrate the city, the region, and the country, and thus constitutes one of San Jose's major destinations. The city has taken advantage of this space by locating the Tech Museum of Innovation, the San Jose Museum of Art, and the Civic Auditorium adjacent to it. The Fairmont, Marriott, and Hyatt Sainte Claire hotels also are located nearby. Yet the spaces between these institutions contain voids and fail to take advantage of the great retail potential this civic space can support.

The panel believes that the city can enhance this area by undertaking the following activities:

- Creating a stronger presence in the area bounded by Market, San Fernando, First, and San Carlos streets, where it fronts onto the plaza, to link it to the SoFA district and the retail heart to the north;



- Creating a strong green link from the plaza to the Guadalupe River Park;
- Working with the hotels to create ground-floor street life and life in the plaza;
- Establishing a complementary use at the location of Casa del Pueblo and the Food and Commercial Workers site that supports a strong active edge for the plaza; and,
- Working with Bank of America and Adobe to enhance the quality of their pedestrian connection along Park Avenue with a design that will allow for sidewalk cafés, shops, and ceremonial landscaping.

The SoFA gateway is the triangular district defined by Market, Second, William, and San Carlos streets, directly southeast of the Plaza de Cesar Chavez. This district is emerging as a popular arts, night club, and entertainment precinct within downtown San Jose. Yet it is cut off from the retail heart by two federal office buildings on First Street. The panel believes that the relocation of these two federal buildings and the redevelopment of these sites for retail and other mixed uses is vital to the downtown retail revitalization program.

The panel feels that the key to the development of this gateway will be to:

The Plaza de Cesar Chavez is the formal entry to downtown San Jose and the setting for the Tech Museum of Innovation, the San Jose McEnergy Convention Center, Montgomery Theater, and downtown hotels.

The attractive landscape design and distinctive fountain in the Plaza de Cesar Chavez provide a cooling atmosphere that could be used in the branding of downtown San Jose.



This SoFA (South of First Area) district is emerging as a popular arts, night-club, and entertainment precinct within downtown San Jose.



The redevelopment agency is refurbishing the historic 1,100-seat Fox Theater in the SoFA district as the new home of Opera San Jose.



- Innovatively use art and landscape design to create a sense of drama and energy at the convergence of Market and First streets that announces the entrance to the SoFA district;
- Use the development of the area bounded by San Carlos, First, Second, and San Fernando streets and redevelopment of the federal government sites to make a strong but smooth transition from the retail heart to the SoFA district;

- Use street art, kiosks, and entertainment activities to increase pedestrian activity along First Street at the connection between SoFA and the retail heart;
- Develop late-night entertainment and restaurant venues to complement the Fox Theater and the Opera House, to provide patrons with places to go before and after major performances;
- Celebrate San Jose's diversity through public art commissions to local artists, with a strong preference for mediums and subjects that are highly visual, digital, and colorful, to create an atmosphere of excitement and a quintessential downtown San Jose experience; and
- Designate SoFA as the center of San Jose's alternative art scene by organizing year-round street fairs and festivals, including poetry slams, outdoor cinemas, public lectures, and participatory art classes.

St. James Park could become a great public gathering space, yet it currently is underused and often avoided by downtown visitors. It needs to be redeveloped as San Jose's great urban park and made convenient to the retail areas. This can be done by providing parking beneath the park. As the downtown's residential and office population continues to grow, the park will become increasingly important for recreation and as green, "breathing" space for the city.

The redevelopment of St. James Park will be an important catalyst in promoting other development in the northeastern part of the downtown. This redevelopment should be staged to follow the reestablishment of the retail heart. The landscape of the redeveloped park should reflect that of the beautiful green commons and tree-canopied walkways that distinguish the San Jose State University campus. This consistent landscape treatment will help brand the downtown area as a unique place. The convenient light-rail stop adjoining St. James Park will enhance the park's accessibility and its contribution to the downtown shopping experience.

Make a Whole That Is Greater than the Sum of Its Parts

The new retail strategy should make all of downtown San Jose—its buildings, streets, and public spaces—instantly recognizable and experienced as a single, self-reinforcing, uniquely branded place. This brand must be the physical real estate on offer to customers, retail tenants, and investors, the richness of which will provide downtown San Jose with a competitive advantage over its competitors.

The downtown's appeal already has been strengthened by substantial public investments in the San Jose Arena, the Performing Arts Center, the San Jose Repertory Theater, the Montgomery Theater, the Tech Museum of Innovation and IMAX Theater, the San Jose Museum of Art, the Children's Discovery Museum of San Jose, San Jose State University, the new San Jose Civic Center, and the city's transit system, public parks, boulevards, and paseos. The mixed-use nature of the panel's proposed catalyst redevelopment project, together with the existing diversity of land uses downtown, would strengthen the downtown retail market. Multipurpose trips would become the norm. The panel's proposed plan also would increase the numbers of downtown residents, workers, and visitors, giving downtown San Jose a much stronger customer base than other competing centers in Silicon Valley.

Place making in both the public domain and in the design, management, and operation of all downtown projects would ensure that downtown San Jose is branded as a unique place that Silicon Valley shoppers will want to revisit.



St. James Park represents a potentially great city park that currently is underused and often avoided by downtown visitors.



The beautiful green commons and tree-canopied walkways of San Jose State University provide the desired landscape theme for the redevelopment of St. James Park.

Development Strategies

Attracting a wide range of strong retail tenants back to downtown San Jose will be the key to its retail revitalization program. The drive to secure tenants must be the focus of the downtown retail strategy. Strong demographics and a sense of place will not be enough to achieve this. Suitable, conveniently located, competitively priced, modern retail space that is well served by transit and adequate parking will be essential. This will require a resolute and determined commitment by the redevelopment agency, the city council, the community, and its associations and a strong and enduring partnership among all of these parties and the private sector, based on an agreed-upon program to achieve retail revitalization in downtown San Jose. The panel recommends that the redevelopment agency undertake the following actions to revitalize the downtown's retail heart.

Address the Issue of Investment Risk

Despite all of its assets, many investors and retailers view downtown San Jose as a risky investment. The use of street-level retail space for Internet colocation and office uses fragments the downtown shopping environment by inappropriately inserting inactive uses on what should be active retail streets. This signals an unsophisticated standard of downtown asset management and a lack of commitment to an effective downtown retail strategy, which, in turn, heightens the perception of investment risk for prospective retailers and real estate investors. The weakness in the current downtown retail market, as perceived by investors and retailers, is summarized as follows:

- Downtown currently has no national retailers, near whom other national retailers prefer to locate, to increase their own stores' appeal and turnover.

- Existing building formats, access, and servicing arrangements do not meet the needs of contemporary retailers. Much of the current retail real estate on offer is obsolete.
- Competing shopping centers near downtown are very strong and their contributions to the city's tax revenues are substantial, which enhances the prospects of city council approval of future expansions.
- Downtown currently has a reputation for poor customer access and parking.
- Finally, the current regulatory and enforcement system frustrates, rather than facilitates, existing retailers, potential new retailers, and investors.

To unlock and realize downtown San Jose's market potential, the redevelopment agency's downtown retail strategy must incorporate actions to minimize the perception of such investment risk.

Expand the Downtown Retail Offer

While the current retail offer made by downtown San Jose to customers is very limited, it does include a wide range of restaurants, cafés, and nightclubs. These facilities principally cater to the lunchtime and after-work markets. It is significant, however, that the panel could find nowhere but the hotels to meet for breakfast. A real opportunity exists for delicatessens and pastry shops downtown, whose appealing aromas and range of products would enrich the downtown retail experience for residents, workers, and visitors alike. The existing Zanotto's Family Market provides an essential range of groceries and fresh foods to downtown office workers and residents. The panel considers it a strong foundation on which the downtown convenience, comparison, and e

entertainment retail offer must build to support the growing downtown office and residential markets.

The strategy to strengthen the retail mix must build on an understanding of how people shop today. Increasingly, entertainment and recreational trips (not just shopping trips) are generating retail sales. After a pleasant meal, people quite often look for opportunities to extend the experience by browsing in a bookstore, shopping for a special piece of clothing or luxury item (like flowers, jewelry, or artwork), or taking in a movie or show. In this context, the downtown pedestrian routes, which are deliberately designed and mixed to provide views to the next leisure retail shopping opportunity, become vital. This form of retailing (known as destination retail) is not particularly suited to shopping centers; people rarely chose to spend a special night out at the mall. Downtown San Jose, on the other hand, already generates entertainment and recreational trips but, at present, offers a limited range of destination retail that would encourage people to extend their stay and increase their retail expenditures. The current retail offer must be augmented.

Downtown San Jose thus has the potential to be alive with retail and entertainment facilities that create opportunities and views to the next leisure retail and shopping expenditure. These uniquely pleasurable experiences, which must be visible to patrons as they go to and from their offices, parking garages, public transit, or downtown residences, will create subliminal habits of repeat visitation. Repeat visitation builds retail turnover and as this grows retail revitalization results.

A report recently prepared by the San Jose Downtown Residents Association (*Retail in the Downtown: A View from the Downtown Residents and Neighbors*) reinforces the need to significantly enhance the range of available convenience goods in the downtown retail mix. Broadening the range of comparison goods available downtown will require offering incentives to national retailers and nurturing and supporting local retailers.



Target National Tenants, Nurture Local Ones

National fashion chains, including the Gap, Old Navy, and Banana Republic, are leading the charge back to downtown retailing. Other retailers, such as Urban Outfitters, Talbots, and Starbucks, actually prefer urban and main street locations to shopping malls. According to Arthur Rubinfeld, Starbucks vice president of store development, his firm “specifically targets main streets and urban locations because they’re usually pedestrian-oriented places, where the shopping street is the core of the community’s city life.” (Terry Lassar, “Hitting the Streets,” *Urban Land*, July 1999). Home Depot (with its Expo and Villager’s Hardware stores), Bed Bath and Beyond, and Restoration Hardware exemplify national retailers that are experimenting with small-store home improvement and design concepts that would appeal to downtown San Jose shoppers.

These retailers say they like the distinct identity they get with an individualized main street storefront or building. They also are attracted by the lower rents offered by many non-shopping mall locations, not to mention the absence of extra charges for maintenance, security, and other shared services. Significantly, while the panel was in San Jose, national retailer Crate and Barrel announced that it would not renew its lease in the Westfield Valley Fair mall because it will be relo-

San Jose’s downtown retail strategy must use the existing retail base (which includes Zanotto’s Family Market) as the foundation for a more diverse and complete retail offer.

Fountain Alley would become a major downtown pedestrian route connecting the redevelopment agency's catalyst project to First Street.



cating to a stand-alone main street location in the new Santana Row. The resurgence in downtown residential development—and the subsequent bringing together of work, cultural, and entertainment activities that enriches the retail range and experience—is another significant factor that is attracting retailers. All of these elements are emerging and should be reinforced in downtown San Jose.

National retail chains need to be accommodated in buildings with locations, sizes, floor plates, shopfronts, parking, access, and servicing arrangements that suit their needs. Likewise, local retailers that can round out the downtown retail mix should be incubated downtown rather than encouraged to relocate to Willow Glen, Los Gatos, Palo Alto, or Santa Cruz. The panel believes that the redevelopment agency and its consultants must immediately develop a prospectus and leasing campaign targeting national and local retailers. Downtown San Jose's existing strong foundation represents a unique window of opportunity to attract the retailers upon which all downtown retail strategies will depend for their success.



The Rush Cyber Café, which recently opened on First Street, can help in the creation of a strong and unique brand for downtown San Jose.

Develop a Catalyst Project

The panel feels that downtown San Jose needs a major redevelopment project to attract national and local retailers. Incrementalism has not worked in San Jose, and it will not work because most of the downtown's retail building stock is obsolete and unattractive to national and local tenants. A catalyst project would provide building formats, access, and servicing arrangements that meet the needs of contemporary retailers and would be competitive with retail locations outside downtown San Jose. The market potential exists, the land is available, and the economics can work.

The panel believes that the redevelopment agency should develop a multiparcel, mixed-use (residential, office, and retail) project, as described earlier in this report. Figures 8 and 9 present the panel's suggested development program and conceptual details for this project. The panel expects that the redevelopment agency will further refine many of these details (residential unit sizes, for example, and whether these units should be condominiums or rental apartments) in the conceptualization stage of the request for qualifications process that the panel recommends as the preferred implementation tool, as described in the next section of this report.

Improve Parking and Customer Access

The panel believes that the redevelopment agency must review the location of future parking garages with respect to their likely capacity and their ability to create and sustain pedestrian routes through downtown San Jose. The panel also feels that the redevelopment agency must take the lead role in providing future downtown parking, and that it should give such facilities priority treatment to significantly improve customer and tenant perceptions of downtown parking and accessibility.

Create a Place-Making Code

In order to significantly enhance the current regulatory and enforcement system, the panel believes that all development in the retail heart should be guided by a new "place-making code" that deals with all elements of urban and building design, management, and use. This code should go well

beyond the city's existing zoning controls, which are allowing nonretail uses to disrupt continuous street-level retail frontages in the retail heart of the downtown. Ultimately, it should ensure that people experience downtown San Jose as a positive, pleasurable, and satisfying place.

The place-making code should address building locations, design, and integration with adjoining properties; the location, accessibility, and design of parking facilities; the design of public spaces; and finished levels and configuration, with the goal of ensuring a walkable downtown. It should address elements such as storefront display windows, illumination, and at-grade access, as well as the location of service facilities and the operation of garbage removal and other building services. The code should be a tool that the redevelopment agency can use to achieve and manage the desired downtown retail mix.

The code's purpose should be to present the downtown as a single, integrated center with its own unique brand and quality control. (Shopping malls owe their success in large part to their integrated design and management; they guarantee customers a desired experience, for which those customers willingly return.) The design and management elements of the place-making code, in particular, must not be static; they must evolve over time, respond to retailers' changing needs, and be administered in a common-sense, sensitive manner.

Develop a Unique Brand and a Marketing Campaign

The panel believes that the redevelopment agency must create a strong brand image that appeals to all of the senses and that is uniquely downtown San Jose. Its underlying theme should balance "high tech" with "high touch." High-tech, wired, state-of-the-art elements should be integrated into all aspects of downtown life: how people order a meal, get information about the city, buy tickets for the theater. Downtown should present an image of a futuristic, fun, colorful, global place, one that is a little edgy and urban, but is balanced by high-touch elements such as fountains and public art. It must present itself as a multicultural-

Figure 8
Catalyst Project
Conceptual Development Program

Land Use Category	Square Feet	Percent
Residential	978,000	62
Office	265,692	17
Retail	322,630	21
Total	1,566,322	100

Figure 9
Catalyst Project Conceptual Details

Development Program Venue	Proposed Floor Space (Square Feet)	Parking Allocation (Spaces)
A. Fountain Alley Parking Lot Size of parcel: 54,200 square feet		
Office	60,000	180
Retail (ground floor)	33,000	100
Parking (one above-ground and two underground levels)	162,000	550
B. Zanotto's Parking Lot Size of parcel: 36,575 square feet		
Residential (28 units)	28,000	42
Office	36,000	108
Retail (ground floor)	36,000	108
Parking (two underground levels)	36,000	110 ¹
C. Block 3 Size of parcel: 160,000 square feet		
Residential (350 units)	350,000	525
Office	165,000	495
Retail (ground floor)	85,000	255
Parking (two underground levels)	320,000	1,200
D. Mitchell Block Size of parcel: 177,900 square feet		
Residential (600 units)	600,000	900
Retail (ground floor)	150,000	450
Parking (two underground levels)	355,000	1,350
E. 71-99 North First Street/Downtown Historic District Size of parcel: 23,322 square feet		
Office ²	4,692	
Retail (ground floor)	18,630	

¹ Remainder served by surplus parking in the Fountain Alley component of the project.

² Top floor of 85-91 First Street.

al, historic, safe community with a strong sense of place.

Once the redevelopment agency has conceptualized this unique downtown San Jose identity, it must develop a comprehensive marketing campaign to ensure that it translates this identity into the customers', retail tenants', and real estate investors' concepts of downtown San Jose. The marketing campaign should use advertisements, logos, banners, events, and so forth to reinforce this identity and effectively carry it into the marketplace.

This marketing campaign should not just be the public sector's responsibility. The private sector needs to own, embrace, and drive this vision of its city. Ultimately, the private sector's commitment and creativity will be required to make it stick. Each business must contribute, in its own way, to making downtown San Jose special and unique. This will require energy, time, and money from the business community. The public sector should nurture, encourage, and reward private sector participation and innovation. One of the marketing campaign's major targets must be the national and local retailers whose commitment to open an expanded range of stores in downtown San Jose will help make downtown retail revitalization a reality.

Increase Density

The panel feels strongly that downtown San Jose needs more people to enliven its retail heart, not just people who work downtown but also people who will live, play, and learn there. More downtown spaces are required to draw people. Downtown San Jose is relatively small and compact, a fact that offers many advantages but also means that very little land is left to house additional users. Particularly in the context of the enormous growth being experienced in downtown San Jose, land must be viewed as the community's most precious commodity. It must not be underdeveloped or wasted. Instead, it must be built "to the max." Doing so will require a significant increase in density.

The panel feels that density is a term that often is misunderstood and feared, one that brings to

mind images of high-rise buildings, blocked views, congested streets, and a loss of sunlight. Yet downtown San Jose's density can be increased in ways that avoid these problems. Building additions can be set back from the street to preserve sight lines and access to sunlight and to enhance historic facades. New buildings can be scaled and massed to generate interesting, human-scaled facades. The proposed place-making code should address all of these elements.

Many of today's empty-nester and dual-income, no-kids (DINK) households have a strong preference for denser, more enclosed, and more interesting urban spaces. The future of downtown San Jose depends on its ability to continue to attract and accommodate businesses and their workers while also appealing to these potential downtown residents. The panel believes the redevelopment agency should make every effort to promote and accommodate new businesses and residences downtown. Office workers and residents alike will support the vibrancy of downtown and feed a sense of excitement there, an experience that will encourage repeat visits, which in turn will attract new businesses and their employees. Internet colocation facilities do not belong in this environment.

As noted earlier, the nearby San Jose International Airport and the local water table restrict the buildable envelope downtown. With a height limit of 20 stories and a water-table restriction of two underground levels, floor space is a limited resource that should not be wasted with low-rise or low-density development. Even historic properties should be made denser over time, although their street-level impact and appeal should be maintained. Lofts, live/work, and entrepreneurial spaces are as important to the mix as high-rise options.

Make Mixed-Use Development a Priority

The panel feels that mixed-use buildings will be essential to the development of a strong retail heart in downtown San Jose. Mixed use here should consist of ground-floor retail space with one or more other uses above. Parking generally

should be provided below ground; when it is located above ground it should be “sleeved” or separated from the street or other public elevations by more active uses.

The panel believes that mixed-use development has numerous, profound benefits to offer downtown San Jose. It can increase the number of customers for service retail tenants. It can extend the downtown’s hours of operation and increase activity levels, thereby creating a 24-hour city. Mixing uses with different operating hours often creates opportunities for shared parking. Mixed-use projects often lease or sell more quickly because they have a bigger pool of tenants or purchasers; in a well-conceptualized project, one use will promote the leasing or sale of another. Mixed-use buildings can be more visually interesting and can make a greater contribution to the street experience. They reinforce pedestrian connections and provide retail vitality to the street.

Finally, the ability of mixed-use projects to weather economic cycles is far superior to that of more formulaic single-use real estate projects. Because a mixed income stream hedges a real estate project’s total return, irrespective of its stage in the investment cycle, mixed-use development can improve the economics of development projects. In San Jose’s current position in the investment cycle, high-yielding office uses will make the risks and lower returns of retail development feasible.

Create Critical Mass

The achievement of “critical mass” is vital to the retail revitalization of downtown San Jose. Critical mass is difficult to define but easy to feel. Essentially, it means the amount of retail space that is required to create a retail heart. This core of continuous street-level retail space must present an impression of visual abundance and the expectation that people will find something to buy. Its spaces should be carefully laid out to provide the all-important view to the next leisure retail or shopping experience. It should be dynamic, diverse, and exciting—the opposite of the isolated retail spaces often created in the name of

mixed use that inevitably die for lack of pedestrian traffic.

Downtown San Jose does not yet have a critical mass of retail space, but it can, and it must. This critical mass must include a major, exciting retail draw, something that cannot be found in a shopping mall. It must become a place alive with unique shops, bright lights, exciting merchandise, and great people-watching opportunities, a place that offers a full afternoon or evening of entertainment. It needs to speak of San Jose, to be so special it could only be in downtown San Jose. At the same time, it must offer national names that will be recognized by visitors and residents alike. It must offer anchors that are a destination in themselves, yet it must not be formulaic, and it need not be located in a single building. The critical mass of retail space must be conceptualized and executed so well that all of its parts work together so that the whole is significantly more valuable than a mere sum of its parts.

Encourage a Strong Tenant Mix

A strong tenant mix will be fundamental to downtown San Jose’s retail revitalization program. Without it, the downtown will not be able to draw customers from competing centers in the way that these centers originally drew customers away from the downtown in the 1970s. The downtown tenant mix thus needs to compare favorably with the range and depth of retail offer available at these competing centers. Downtown San Jose’s competitive edge will be enhanced by the downtown’s extensive range of civic, cultural, entertainment, and recreational opportunities, which the competing centers do not (and will never be able to) offer.

This tenant mix cannot be achieved overnight. As noted earlier, the redevelopment agency should begin by targeting strong national and local retailers and encouraging them to relocate and/or open new stores downtown. The tenants who have relocated downtown already understand the fundamental lifestyle changes that have taken place in recent years, the changes in how and why people shop. They understand the power of locating their stores in the line of sight of the next

Currently sterile public alleys need to be transformed into “ant tracks,” which are exciting, alluring, and rich in views to the next leisure retail and shopping opportunity.



retail leisure and shopping opportunity. They know that their sales will increase if their merchandise is in the field of vision of their target customer when that customer is in the mood to buy. They appreciate that their stores must be open when the customer has the time and inclination to buy, and do not like having to close at an arbitrary hour imposed by a shopping mall owner.

The panel discussed these retail trends—and the need to secure catalyst national tenants and to attract and nurture local tenants—with the redevelopment agency’s retail specialist and leasing consultant. Appealing to both types of retailers will enable the agency to “grow” the current tenant mix in downtown San Jose from its existing base to include a more complete range of convenience, comparison, and destination retailers. Reports from the redevelopment agency’s consultants, the San Jose Downtown Association, and the San Jose Downtown Residents Association all explicitly describe the tenants required to round out downtown San Jose’s retail mix.

The catalyst redevelopment project will be critical to providing the adequately configured and serviced retail space needed to attract this enhanced tenant mix to downtown San Jose. The redevelopment agency will need to delegate its ability to negotiate and settle leases in a timely manner if it is to compete in the marketplace, and it will need to partner with other downtown San Jose property owners to secure the required tenant mix.

In its efforts to incubate new tenants and new forms of tenancy, the redevelopment agency should start with its existing retail base, which is dominated by food and beverage and entertain-

ment uses. A culinary school is one type of innovative cotenancy that could create a national reputation for downtown San Jose. Such a school could include a restaurant and might offer relaxing, entertaining classes for the community. It would be a natural neighbor for restaurants, kitchen stores, and bookstores. And its students might open even more new restaurants downtown. This symbiotic formula does not apply only to food and beverage and entertainment retailing but, given the downtown’s existing strong base, this is a logical place to start.

Provide a Unique and Memorable Experience

The development strategies described above should transform downtown San Jose into a place that people enjoy experiencing, a place to which they want to return. To become this place, the downtown must excite all the senses—sight, sound, taste, touch, and smell. It must be clearly branded and resolutely marketed to consumers, retail tenants, and real estate investors as the first-choice retail location in Silicon Valley.

Implementation

The panel feels that San Jose has an excellent track record of marshaling the resources required to complete development projects.

This is evident from the transformation of downtown San Jose over the past two decades, and from the downtown's many museums, theaters, hotels, and office buildings, and its convention center and arena. Yet the past 20 years—especially the disruptions caused by the construction of the light-rail system and the dislocations that resulted from the need to make unreinforced masonry buildings seismically safe—have not been kind to downtown San Jose's retailers.

The panel believes that a downtown retail revitalization program can succeed only if the redevelopment agency and the city modify their strategies and relationships with the community and the market. The panel feels that this should constitute a natural evolution of the redevelopment agency's role and a sign of its maturing relationship with the community.

The Role of Public Agencies

The San Jose City Council and the redevelopment agency have demonstrated their resolve to invest in downtown San Jose and to make the long-term financial investments necessary to rebuild a strong retail offer there. Both the council and the redevelopment agency have strong leaders who command the financial resources to implement an effective downtown retail redevelopment strategy. Together, they have transformed the office investment environment from one based on public subsidies to one in which the private market plays a much stronger role in financing and managing investment risks. Both the council and the redevelopment agency have indicated to the panel their desire to work toward a similar model for future downtown retail development.

The panel supports this approach but understands that it may be achieved only over the long

term, given the need to rebuild private sector confidence in downtown San Jose as a prime retail location. The redevelopment agency clearly has a responsibility to ensure that adequate parking facilities are provided at locations that conveniently serve the downtown. Following the example set by the arena parking facility, the siting of all new parking facilities must encourage patrons to walk to and from downtown venues. This will create and reinforce the downtown pedestrian routes. Lined with leisure retail and shopping opportunities and other interesting features, these "ant tracks" will invite and encourage patrons to walk to the next shopping opportunity, thus channeling high-volume pedestrian traffic past downtown retailers' doors. The council and the redevelopment agency have expressed a willingness to reach out to and work in partnership with the community and the private sector to achieve their retail objectives.

Motivated Community Organizations

The San Jose Downtown Association is a strong group that has demonstrated through its research and planning initiatives that it can make a significant contribution to the conceptualization and implementation of the downtown retail strategy. The panel found this group's report on market potential and development strategies to be of great assistance.

The San Jose Downtown Residents Association also prepared a report that documented the type of tenants and services its members wished to have included in the downtown tenant mix. The panel sees a very high level of community support for downtown retailing, and believes that the redevelopment agency should develop a coordinated marketing campaign and branding program in concert with these well-organized community groups. This joint-venture effort would significantly promote downtown San Jose as a vibrant

Figure 10
Catalyst Project Components and Their Expected Contributions to Project Economics

Component	Contribution
Residential	Positive
Office	Very positive
Retail	Speculative
Underground parking	Negative
Land price	Redevelopment agency to determine
Seismic upgrades	Negative
Historic rehabilitation	Negative

Figure 11
Time Line to Identify Catalyst Project Development Team

Objective	Date
Establish implementation structure	July 1, 2000
Designate development site	July 1, 2000
Adopt urban design plan	September 1, 2000
Issue request for qualifications	December 1, 2000
Determine short list	April 1, 2001
Designate developer(s)	June 1, 2001

and attractive prime retail center. Since these organizations include among their members the people who will patronize and enrich the experience of downtown San Jose, the essential foundations of a successful downtown retail strategy are already in place.

The Catalyst Project

The development of the mixed-use catalyst redevelopment project recommended by the panel will be essential to the success of the downtown retail revitalization program. While 1.5 million square feet of new mixed-use development may seem like a relatively large project for San Jose, it is, by comparison with many other large downtown

areas, a relatively modest one. The panel believes that the combination of uses (residential, office, and retail) that it has proposed will ensure the project's economic feasibility.

The panel proposes that the redevelopment agency sponsor the catalyst project and that it begin to implement it with a request for qualifications (RFQ) process. The panel suggests that the agency begin by requesting statements of qualification for the redevelopment program as a single development opportunity. The selection process most likely will result in responses from several developers, each of whom will propose developing a specific type of space (with one developing residential uses, another retail, and so forth) or, perhaps, in different developers proposing to work on different parcels.

This will involve a shift in the way the redevelopment agency approaches the disposition and development process in downtown San Jose. The project will involve multiple parcels spread over a large area and multiple uses that will reinforce each other both economically and functionally. It will rely heavily on the private sector's judgment and skill in addressing issues such as tenant mix.

The panel believes that downtown San Jose needs the critical mass of this catalyst project to capitalize on the significant investments that the redevelopment agency already has made. The project also is needed to provide leasable retail space to implement the downtown retail strategy and the broader downtown revitalization program that the redevelopment agency has the responsibility to deliver. The multiple-parcel approach addresses the downtown's need for a critical mass of retail space spread over an area that is large enough to affect the way the downtown functions and to become a catalyst for the reestablishment of its retail heart.

The economics of such an approach are fundamental to its success. The overall market value of this redevelopment project will be substantially greater than \$500 million. Each component, however, will contribute differently to project profitability. The strength of the mixed-use approach is the internal cross subsidization of strongly profitable categories by weaker ones, which creates a

hedging mechanism. In essence, the project's economically strongest components (residential and office) can be expected to offset the relatively weaker economics of the retail component and the negative economics of underground parking, seismic upgrades, and historic rehabilitation. Figure 10 summarizes these relative profitability strengths and how the panel expects each component to contribute to overall project economics.

The land value of the five parcels involved in this redevelopment project is likely to be more than \$40 million, depending on the timing of development and whether current market trends continue. The land price negotiation will allow the redevelopment agency to address project economics and minimize any additional agency subsidy. The panel acknowledges, however, that the project economics must be flexible, since the redevelopment agency may need to fund public parking garages (those that primarily will serve shoppers, as opposed to office and residential tenants) and other public improvements such as streetscape enhancements, public art, and signage. Redevelopment agency funding almost certainly will be needed for replacement parking garages to compensate for the existing surface parking lots that will be lost to the catalyst project.

The panel's preliminary evaluation shows that the overall project economics of this conceptual proposal are feasible. The panel thus recommends that the redevelopment agency commence project refinement and detailed design as soon as possible, and suggests the time frame and benchmarks for selecting a development team illustrated in Figure 11.

The redevelopment agency needs to ensure that this project will operate as a single integrated unit, with parking, traffic flow, and other linkages that will support both the project and the entire downtown area. This functional integration is vital for the 320,000 square feet of new retail development to operate as a unit with strategically located anchor tenants and sufficient scope to manage the tenant mix. To accomplish this functional integration, the redevelopment agency should ensure that the project addresses local retail requirements and that broad guidelines



address both the project's physical design and its marketing program.

The redevelopment agency must allow the private sector to control the details of how the project works. The panel believes it is preferable to give the selected developers broad and clear performance guidelines that will hold them accountable for meeting agreed-upon goals, but do not subject them to a review of individual leasing decisions. All leasing decisions must be in accord with the downtown retail mix agreed upon by the redevelopment agency and the selected developer(s).

As proposed by the panel, this redevelopment project would increase the amount of retail space in downtown San Jose by about 30 percent. The panel feels that the redevelopment agency should work with other property owners in the retail heart to ensure that privately held properties also contribute in a timely manner to the critical mass of space available to retail tenants. This space also must be developed in accordance with the place-making code. The agency should exercise its powers of eminent domain only as a last resort. The preferred role for the agency would be that of joint venture partner. Alternatively, the site can be purchased by the successful developer.

The panel feels that the redevelopment agency should explore the possible transfer of its direct involvement in retail leases and management to the private sector. To this end, the panel suggests that the agency explore options for harnessing private sector expertise to lease and manage agency-owned and -controlled space where this would create a desired tenant mix.

The redevelopment agency's catalyst project will transform the Fountain Alley parking lot into a mixed-use development, injecting life into downtown San Jose.

Working with the Community

The panel feels that developing a positive partnership with the community and the private sector will be essential to the redevelopment agency's implementation of its retail strategy. Many of the people interviewed by the panel expressed deep frustration about their past dealings with the redevelopment agency and its previous decision-making style. Many also expressed dismay over how the agency had treated downtown retailers. Yet in spite of these past frustrations and disappointments, they also expressed optimism at the new direction that the agency has taken. Those interviewed overwhelmingly agreed that retail uses are a vital component of the downtown quality of life. Thus they are willing and eager to work with the redevelopment agency to devise and implement a retail revitalization program for downtown San Jose.

The panel encourages the redevelopment agency to draw on the valuable store of market intelligence within the local community to successfully implement its downtown retail strategy. The agency has a tremendous opportunity to respond openly to the energy of the interviewees by creating forums for participation and engagement. The agency should reach out to the community and allow individuals and organizations to have their voices heard with respect to the agency's decision making for downtown San Jose. Yet the panel cautions the agency to ensure that this process is carefully balanced, so that competing shopping center owners do not abuse the process in an attempt to protect their own projects.

Parking for Retail

As a result of a 1996 study, the redevelopment agency and the city created the Downtown Parking Board to provide oversight for implementing solutions to downtown parking problems. This study recommended four sites for new parking lots, including one of the parcels that the panel has recommended for the mixed-use catalyst project.

Earlier sections of this report have highlighted the importance of strategically locating parking garages on the ant tracks to promote a walkable

downtown. Convenient and safe parking plays an essential role in developing a uniquely and positively memorable downtown San Jose shopping experience. For this reason, the downtown retail strategy's parking component must address a wide variety of issues, including management, joint use, the extent to which future developments can provide adequate on-site parking for the density of development proposed, the ability to "sleeve" parking garages with active uses, the setting of short-term rates that favor use by shoppers, the proper role of parking agreements in privately owned garages during peak and off-peak times, and how to continue and enhance the existing retail parking validation program.

Given the long construction time frames and the need to carefully program construction work so that it does not have an adverse impact on downtown retailing, the redevelopment agency must as a matter of priority make some decisions on the strategic location, design, and construction of new public parking garages.

Marketing and Identity

The panel believes that the effort to create a downtown San Jose retail brand must include two essential elements. The first is to market downtown San Jose to the targeted national and local retailers that will round out the downtown retail mix. The presence of these tenants will provide a necessary economic catalyst for downtown retail revitalization. The second (and equally important) element is the crystallization of the planning, design, and place-making initiatives detailed in this report. Together, these two crucial elements will combine to draw shoppers back to downtown San Jose and recreate the subliminal habit of repeat visitation on which the success of the retail revitalization program will depend.

The panel feels that both elements of this brand creation and marketing campaign must be executed as soon as possible. Proper conceptualization and research must be undertaken to ensure its success. The immediate task is to ensure a successful retail leasing program that will achieve the desired tenant mix. The redevelopment agency should put in place marketing programs

that are coordinated with other downtown agencies and with public, private, and nonprofit organizations as soon as possible.

Regulatory Framework

The panel believes that the existing regulatory framework frustrates downtown retail redevelopment in several ways. The panel discussed with redevelopment agency staff and executives the need to comprehensively reengineer some of these processes and behaviors. The pending zoning ordinance, for example, needs to do a better job of establishing and maintaining ground-floor retail uses in downtown projects. As presently written, this ordinance requires only that “ground-floor areas be available for street-level uses.” This definition is much too broad; it constitutes an open invitation to convert ground-floor space to office use, particularly in the current circumstances, in which office uses command premium rents. The definition must be tightened to specify retail uses.

The panel believes that the redevelopment agency should make the definition explicit if it wishes to achieve the cross subsidy opportunity of mixed-use development. The proposed place-making code should be developed to focus project conceptualization and approval on the quality of place and how each project creates the unique downtown brand and retail mix rather than a bland zoning code that just seeks to segregate land use. The redevelopment agency has the clear advantage in developing the place-making code of being able to draw on the computer graphics and technological innovators of Silicon Valley. (See Geoffrey Booth, “The New Sensory Law,” *Urban Land*, October 2000, page 14.)

The city and the redevelopment agency urgently need to streamline the permitting process for tenant improvements and minor building modifications. Both must make extra efforts to accelerate these reforms and institutionalize the changes with revised organizational structures.

Many of the city’s existing design guidelines are not conducive to the development of downtown retail space. The panel believes that the rectification of this situation, through the development



and adoption of an innovative place-making code, is vital to the success of the mixed-use catalyst project that it has recommended to reestablish the downtown retail heart and to the success of all other downtown retail revitalization initiatives. All regulations and guidelines, policy approaches and approval mechanisms must act in harmony to fast track retail development in accordance with the adopted retail revitalization program.

The panel feels that the approval of additional Internet colocation projects would absorb even more downtown floor space, which is inconsistent with the goal of creating a vibrant and unique sense of place for downtown San Jose. The panel therefore strongly encourages efforts to find alternative locations for these projects where they will not create the “dead zones” that undermine downtown retail revitalization and the mixed uses on which it depends.

Nurture Retail

Downtown San Jose’s retail mix must not be dominated by either national or local retailers. Achieving and maintaining the right balance and blend of retailers will be the key to a successful

In establishing and defining its unique brand, downtown San Jose must appeal to all the human senses—sight, sound, taste, touch, and smell—so that people simply will not want to go anywhere but downtown.



The atmosphere, appearance, brand, and experience of an internally oriented shopping mall are fundamentally different from a downtown retail environment.

Transit routes and stops must focus on bringing people downtown. The panel recommends that all future transit facility location decisions should reinforce, not undermine, downtown pedestrian routes and the view to the next leisure retail and shopping opportunity.



retail mix. The panel recognizes that the community does not want a transplanted shopping mall downtown. It wants a place that offers a better experience, a downtown retail heart that is special and unique to downtown San Jose.

The panel believes that the redevelopment agency should develop a leasing and incubation program that addresses the special needs of smaller local retailers. It should partner with organizations that have direct access to smaller community retailers (including the Hispanic and Vietnamese chambers of commerce) to strengthen the retail mix and secure community ownership and pride. The downtown retail revitalization program should include a retail incubator program, temporary rental subsidies, and marketing outreach for unique local tenants. The program also should offer these retailers training on how to better merchandise stock and to educate them about the benefits that anchors and national retailers bring in the way of passing trade.

The redevelopment agency also needs to adopt a more thoughtful approach to ensure retailer survival during periods of major construction. The experience with the transit and streetscape improvement projects should provide a stark contrast to future proactive business retention that involves better construction management, short-term economic assistance, and a sensitive approach to relocation.

Transit Issues

The transit system's overriding function is to bring people to downtown San Jose. It is less suited to providing internal circulation within downtown.

The primary mode of circulation within downtown San Jose should be on foot. The VTA also needs to keep in the forefront of its construction and operation programs the understanding that a healthy retail heart in downtown San Jose will reward the transit system at the fare box, whereas a repeat of past performance will undermine its long-term viability and ridership.

When locating new lines, either on the surface or underground, the VTA and other relevant agencies must understand and take into account the impact of station locations and rail lines on downtown pedestrian routes. Transit facility location decisions should reinforce, not undermine, pedestrian routes and views to the next leisure retail and shopping opportunity. The panel believes that the redevelopment agency must play a major role in ensuring that this is the benchmark against which all new transit alignments and facilities are assessed. The place-making code must address these issues, as well as reviewing the design and siting of all existing downtown transit stops to improve views to downtown San Jose leisure retail and shopping opportunities.

Organize for Effectiveness

The panel endorses the redevelopment agency's recent reorganization to create a downtown management division. This will provide the required focus and location of responsibility for the timely completion and implementation of the downtown retail strategy and the effective accomplishment of the downtown retail revitalization program, of which the strategy is a vital part. The division will demand strong leadership to accomplish the following challenging tasks:

- Building partnerships with other organizations, both public and private;
- Selecting developers for and managing the development of large mixed-use projects, including the catalyst project;
- Developing and monitoring performance objectives for multiuse projects;

- Marketing the downtown more aggressively and in a more timely manner, in cooperation with other organizations;
- Planning, building, and managing parking more effectively;
- Creating an innovative place-making code; and,
- Managing the regulatory framework and coordinating more effectively with the city of San Jose.

The panel believes that a closer working relationship between the city and the redevelopment agency would result in significant benefits. Creating such a relationship would necessitate the removal of institutional barriers and a change in organizational behavior. This coordinated approach is the only way to ensure early implementation of an effective downtown retail revitalization strategy for San Jose.



Like the best plays, downtown revitalization results only from a good script, gifted actors, and a participatory and supportive audience bound together by a strong and committed partnership.

Conclusion

In presenting its findings and recommendations, the panel impressed upon San Jose community leaders the very urgent need for action to secure effective downtown retail revitalization. Given the strong market potential and the strength of the retail competition outside the downtown, the panel believes that the redevelopment agency needs to move resolutely and promptly on the request for qualifications process for the recommended catalyst redevelopment project, to ensure its timely commencement.

If the redevelopment agency adopts and implements a downtown retail revitalization program that incorporate the panel's proposals, downtown San Jose will be able to promise its citizens a very pleasurable experience, one that residents, workers, and visitors will remember and reward with repeat visitation. The market potential to secure this unique niche is real. The planning and design foundations are already in place. The panel has made explicit the required development strategies and implementation procedures. The redevelopment agency, in partnership with other levels of government, the private sector, and the community, has demonstrated that it has the resources (and has expressed the resolve) to deliver.

About the Panel

John H. Alschuler, Jr.

Panel Chair

New York, New York

Alschuler is the president of Hamilton, Rabinovitz and Alschuler, Inc., and the partner in charge of the firm's New York office. He directs a wide-ranging consulting practice providing a high level of financial analysis and real estate development expertise. He also serves as senior real estate adviser to the Guggenheim Family Foundation.

Alschuler has advised a wide range of development clients, including Maguire Thomas Partners, Olympia & York, Queens Development Corporation, and the Empire State Development Corporation. He also has advised a large number of public agencies and officials, including the mayor of New York, governors of New York and other states, and the government of Kuwait. He currently is advising the governor of Massachusetts on the restructuring and privatization of the nation's second-largest mass transit system.

Alschuler has served as the president of Daniel Island Development Corporation, which developed a 4,000-home community in Charleston, South Carolina. Prior to joining his current firm, Alschuler served as city manager for Santa Monica, California, and Hartford, Connecticut. He teaches real estate in the graduate program at Columbia University.

M.J. "Jay" Brodie

Baltimore, Maryland

Brodie is president of the Baltimore Development Corporation, a nonprofit corporation responsible for the city of Baltimore's economic development. He formerly was senior vice president of RTKL Associates, Inc., an international architectural, engineering, and planning firm headquartered in

Baltimore. He has strong experience in the implementation of urban revitalization projects, with an emphasis on community involvement and forging public/private partnerships.

Brodie led major redevelopment agencies in Washington, D.C., and Baltimore for three decades. In 1994, the American Institute of Architects (AIA) recognized his contributions to the revitalization of these cities by presenting him with its Thomas Jefferson Award for Quality Design. Brodie holds a bachelor's degree in architecture from the University of Virginia and a master's degree from Rice University. He is a fellow of the American Institute of Architects and a member of the American Institute of Certified Planners.

Susan Campbell

Chicago, Illinois

Campbell is a partner and vice president of Campbell Tiu Campbell, Inc., a firm that specializes in the research, design conceptualization, and implementation of comprehensive land use plans and project-specific site planning for redevelopment areas. The firm has undertaken major commissions in Chicago, Detroit, and New Orleans. With more than 17 years of experience in the fields of planning and urban development, Campbell's analytical and design skills make her an expert in research and analysis for the preparation of comprehensive urban development plans and reviews. Her studies range from demographic analysis through public participation and consensus building.

Campbell holds a BA in economics and sociology from Tufts University, a master of urban planning from the University of Illinois, and a master of architecture from the Illinois Institute of Technology. She serves on the board of directors of the National Association of Minority Architects and

the Chicago chapter of the American Institute of Architects, and is a member of the American Planning Association.

Barry Elbasani

Berkeley, California

Elbasani is a founding principal of the Berkeley-based architecture and urban design firm ELS/Elbasani & Logan. His practice is well known for designing retail and mixed-use centers that have revitalized downtown areas in the United States and abroad.

Elbasani's focus is on large-scale urban projects that address both civic and economic goals and that require collaboration with developers, public officials, and the community to reach consensus. Some of ELS's award-winning mixed-use commissions include Clarke Quay in Singapore; Pioneer Place in Portland, Oregon; the Shops at Arizona Center in Phoenix, Arizona; and the Grand Avenue in Milwaukee, Wisconsin. He recently completed the Denver Pavilions in Colorado and the final phase of Pioneer Place.

ELS also serves as urban design adviser to a wide range of public and private clients. Elbasani's strategy for the Kakaako Makai district of Honolulu was honored with a National American Institute of Architects Urban Design Award. Elbasani is a fellow of the American Institute of Architects and member of the International Council of Shopping Centers and ULI's Mixed-Use Council. He received a bachelor of architecture from Cooper Union and a master of architecture in urban design from the Harvard Graduate School of Design.

Charles Long

Reno, Nevada

Long has more than 25 years of experience in public finance and management. He joined Fieldman, Rolapp & Associates in 1999 after a distinguished 18-year career with the city of Fairfield, California, where he served in several executive positions, including redevelopment direc-

tor, finance director, assistant city manager, and city manager.

Prior to joining Fieldman, Rolapp & Associates, Long worked as a consultant in public/private partnerships, redevelopment, and finance. He specializes in economic development strategies, financial analysis of complex investment decisions, and capital programming. Long served as interim finance director for the California cities of Modesto and Fremont. His other clients have included the California cities of Davis and Citrus Heights, the Association of Bay Area Governments, the Fort Ord Reuse Authority, Lassen Reuse Authority, and the city of Sparks, Nevada.

Long has managed more than 25 separate finance activities totaling almost \$900 million, including redevelopment, water, wastewater, assessment, lease revenue, certificates of participation, and multifamily housing. Prior to working for the city of Fairfield, Long was a municipal finance consultant with a northern California firm. He is a Vietnam veteran.

Marilee A. Utter

Denver, Colorado

Utter is president of Citiventure Associates, L.L.C., a Denver-based real estate development and consulting firm that specializes in urban redevelopment, asset management strategies, and public/private transactions. Her expertise includes mixed-use projects, transit-anchored developments, large-scale master planning, and the reuse of historic buildings. The projects in which she has been engaged include the transformation of a failed regional shopping mall into Cinderella City, a 1,000,000-square-foot, mixed-use, transit-oriented town center; redevelopment of a 350,000-square-foot historic downtown department store, the Denver Dry Building, into a residential, retail, and office mixed-use project; and the master planning and zoning necessary to transform the 65-acre Denver Central Platte Valley urban railyard into a 6,000,000-square-foot commercial, residential, and recreational mixed-use development.

Prior to forming Citiventure Associates, Utter was regional vice president for Trillium Corporation, director of asset management for the city and county of Denver, and a vice president of First Interstate Bank. She holds a BA in mathematics and French from Colorado Women's College, an MBA from UCLA's Anderson School, and a certificate in state and local policy from Harvard University's John F. Kennedy School of Government.

Utter is a Counselor of Real Estate and a member of the Colorado University Real Estate Center and the Congress for New Urbanism. She serves on the boards of several community organizations, including the Denver Art Museum, the Metropolitan State College of Denver Foundation, the Denver Metro Chamber Foundation, and the Women's Forum of Colorado.

