

“State of the Downtown” speech by Scott Knies

October 14, 2016

San Jose Downtown Association Annual Meeting

Title: The Election Season and Back of the Bus Banter

Last week was the eighth Downtown Real Estate Tour. The event sold out with more than 200 attendees and four full buses visiting downtown development sites and projects. I was in the back of one of the buses with a handful of commercial brokers as we passed dozens of sites entitled for high rise office and housing, the expansive 240 acres of the Diridon area on the westside of downtown, and the promise of subways and high speed trains whisking a new generation of employees and residents to and from home, work and frolic in the center city.

It’s in a broker’s mindset to foretell the future. There were predictions in the back of the bus about this current economic cycle, as if a great game of musical chairs was playing and nobody wanted to lose their seat when the music stopped. As we passed another surface parking lot – one already sitting on their development permits – the prognosticating

broker said: “This is all great for downtown, *if* it happens.” To which I replied: “It’s not a matter of if, but *when*.”

To most objective observers, downtown is already happening. The fact there *are* so many sites in play for new construction is more than just a show of faith. Unlike the cycle 10 years ago when the action almost exclusively focused on residential, this time multiple sectors are represented: 28 housing projects, 3 million feet of office, 750 more hotel rooms and more than 200,000 feet of retail.

If downtown’s development record is any indication of its future, half of these projects will be built during Mayor Liccardo’s administration. If anyone had said to me: of the more than 9000 units currently proposed we’d realize 4500 new apartments and condos, and we’d also produce 1.5 million feet of new office, I’d pour champagne for every broker on those buses.

Another indicator of downtown’s momentum is the recent activity in B building transactions, with new owners picking up long vacant and underutilized properties with the intention of rehabilitating these older, and often historic, structures. This trend is important for downtown because many of these buildings are shabby, and they deaden blocks with their inactivity, becoming magnets for graffiti vandals and sidewalk sleepers.

Bringing life back into this building stock will generate real traction at street level, turn lights back on in shuttered storefronts and create unique upper floor office space for smaller, value-oriented businesses.

Another positive sign is the City of San Jose embracing their urbanist chops. City leaders and departments are more engaged in downtown than ever before. The Parks Dept. knocked it out of their parks with Viva Calle and the St. James Park design competition. The Planning Dept. is updating the Downtown EIR and running a fast track pilot program to get restaurants open quicker. The Dept. of Transportation is doing wayfinding, bike share and LED street lights. Cultural Affairs and Economic Development are supporting arts groups and working with companies to locate and expand. Even the Dept. of Public Works is in the groove with curb cafes and construction mitigation. Combined with other downtown believers like VTA, SJSU, Team San Jose, Knight Foundation and SPUR, the time for just getting-stuff-done is now.

With the election looming in four weeks, there are a few distractions, even for the believers. Much is on the line for our nation and our city. There's an alphabet soup of local initiatives, including several tax measures. Understanding the Downtown Association positions – what we support, don't support and why – is a revealing glimpse into the hopes, and fears, that

contribute to the making of a city. I'm going to take you through our five positions.

Measure A is the Santa Clara County Housing Bond. The \$950 million bond for affordable housing and homeless housing requires a 2/3<sup>rd</sup> vote and would charge \$12.66 per \$100K of assessed value.

Nearly a billion dollars to the County of Santa Clara is a lot of money, but the need is great, too. How did the Downtown Association arrive at supporting Measure A?

As the numbers of homeless on our downtown streets grew, so did the demand from our members to do something about it. The PBID has surveyed property owners, residents and businesses in the district annually since 2007. The first two priorities for members have always been cleanliness followed by safety, until this year when homeless concerns edged out safety. Of course, all three are inextricably linked.

Groundwerx clean team members – as well as some city employees who maintain downtown parks – now refer to themselves as “homeless custodians.” A greater and growing amount of our maintenance staff's work is cleaning the messes left behind on our sidewalks, doorsteps, parks, creeks and streets by the homeless. As for safety, surveys also show many female visitors downtown do not feel safe on certain streets at night.

Responding to this trend, the Board of Directors made homeless solutions one of our top strategic goals. We started a successful homeless job-training program with Groundwerx, Downtown Street Teams and the City Housing Department. Our San Jose Police officers working secondary employment jobs for the PBID spend more than half their time on homeless related issues. This past year we have worked side-by-side with PATH – People Assisting the Homeless – and their outreach staff, and look forward to the addition of a mental health doctor on the team since so many of the rough sleepers downtown suffer from addiction and behavioral sicknesses.

Despite these efforts, the numbers of downtown homeless have increased this year. There are a half-dozen individuals bunked down this very morning on First Street where our offices are located. I walk by them everyday. These are the chronically homeless and most of them refuse offers to come in off the streets, but when they do ask for shelter, there is no room at the inn. As a community, we lack the housing with necessary support services to accommodate them. If we are truly going to help get homeless off our streets and not just move them to another block, another creek, or another park, then we have to provide housing alternatives. Measure A is our best shot at doing this in a substantial way.

We are not part of the hyperbole that proclaims Measure A will “end homelessness in Santa Clara County.” It will not. That is just a campaign slogan and newspaper headline. We need look only 50 miles north to the herculean efforts of San Francisco over the last decade with their model programs that have produced thousands of units of supportive housing, navigation centers and more than \$250 million spent annually on homeless services, yet the number of homeless in San Francisco remains unchanged after 10 years. Money and effort alone does not end homelessness, but in Santa Clara County we are way behind in both, and Measure A will help us catch up, and hopefully, when we look back in 10 years, we can demonstrate the differences we have made in individual lives, as well as the health of our communities.

Measure B is the Transportation Tax for traffic relief, road repair, Caltrain and BART sponsored by VTA. This proposed half-cent sales tax is also a countywide specific levy requiring a 2/3<sup>rd</sup> super majority vote, and Carl Guardino is going to speak later why it is critical to the future of Silicon Valley, which will also explain our organization’s strong endorsement of YES on B.

Skipping some letters, Measure E stands for “Euphemistic.” The Opportunity to Work initiative, sponsored by the South Bay Labor Council,

would require any San Jose employer with more than 35 employees to offer additional hours to their current part-time workers before hiring more part-timers.

The Downtown Association opposed Measure E “as written.” This is an important distinction because we were empathetic to support more hours for part-timers where employers try to skirt paying health insurance. But this initiative is so poorly crafted it will harm many San Jose businesses and non-profits.

Measure E will punish good employers with confusing rules that practically mandates city regulators to review the hiring decisions and employment records of businesses. This intrusive compliance will be necessary because Measure E allows standing for a lawsuit to be filed by anyone. Do predatory lawsuits sound familiar? That serial ADA suing scoundrel dropped another suit against one of our small businesses in SoFA just last week. Measure E may be well-intentioned but this version needs to be buried in the rubbish bin. Vote NO on Measure E.

Measure F – the “F” does not stand for “Fail” but “Finally” – is another San Jose-only measure, the Alternative Pension Reform Act, that essentially replaces the notorious 2012 Measure B that has been mired in non-stop litigation. It is hailed by lead supporters Mayor Liccardo and

Police Chief Eddie Garcia as the path to enable the San Jose Police Dept. to be a competitive employer once again. It's time to turn the page on San Jose's pension wars and get back to full police academies and hiring more officers to patrol our city and downtown. Vote YES on Measure F.

Measure G is the doubling of the San Jose business tax. Why is a business organization supporting such a thing? For starters, the business license tax hasn't been touched in 30 years and has long been on the table as a way to raise funds for the city. However, the idea of a business tax increase didn't get much love until SJSU Sociology professor Scott Myers Lipton started gathering signatures to qualify a gross receipts tax on the ballot. Suddenly, a business tax increase didn't look so bad. A reasonable restructuring of the BLT (Business License Tax) was worked out – raising the minimum rate from \$150 a year to \$195, with increasing amounts for larger businesses, and an annual CPI adjustment. All told, the doubling of the BLT will raise an additional \$13 million per year.

Since this is a general tax and only requires a simple majority to pass – and pass it will, the voters love to tax businesses – the \$13 million is headed for the city's general fund. The San Jose Downtown Association has been adamant that this new revenue offers the city a rare opportunity to support the very group – San Jose businesses – that will pay 100 percent of

these additional taxes. We have seen the decimation of the city's economic development investments since the dissolution of Redevelopment, years of municipal budget deficits and essential service cuts. Now is the time to reinvest in San Jose's business ecosystem. The Downtown Association has offered the Mayor and City Council our provisional spending recommendations for the \$13 million, including funds for code and policy work, bolstering of the small business ambassador program, development incentives, grant programs and an opportunity fund allowing the city to respond to market conditions. When we first had this idea in April, we took it to our Councilmember Raul Peralez who said it made sense and to get his council colleagues on board, which we've done. Even Councilman Johnny Khamis, who likes to put every spare dollar into fixing potholes, thinks it's a good idea. Invest in San Jose's future by voting yes on G.

This is a dynamic chapter for the center city and Downtown Association. This month marks our 30<sup>th</sup> year, too. Unlike the business tax, however, we have constantly churned, updated and grown. This is one of those moments of great change for the Association. Two stellar long-time staff members were recently hired by the city and we've embraced this as a chance to re-tool our internal organizational structure. The small but mighty SJDA staff will be even mightier after our reorg synchs positions and roles

in alignment with our strategic goals. A couple of the initial moves have been made. We are very fortunate to have Chloe Verrey promoted to PBID Operations Manager and Nate Echeverria is now our new Acting Director of Policy and Ops.

There's much more change coming, I'm happy to tell those brokers in the back of the bus. That is what we do, the people in this room; we are the change agents and we demonstrate that downtown is a place that's cared for – you'll certainly hear that from everyone speaking after me. Please join in, and help accelerate the changes you want to experience. This is your downtown. This is your San Jose. The people here are the best part of this city.

Congratulations again to Martha's Kitchen. Thanks for your attention and enjoy the rest of the meeting.