RDA BOARD AGENDA: 12-9-08
ITEM: 7.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: CITY COUNCIL

FROM: MAYOR CHUCK REED, COUNCILMEMBERS SAM LICCARDO, NANCY PYLE AND DAVE CORTESE

SUBJECT: SEE BELOW

DATE: December 2, 2008

APPROVED: Chuck Reed

SUBJECT: THE PERALTA ACTION PLAN: DEVELOPMENT OF A VIBRANT, MIXED-USE NEIGHBORHOOD IN THE DOWNTOWN CORE

RECOMMENDATION

1) Approve staff's recommendation to adopt a resolution approving business terms for the San Pedro Square Urban Market and to prepare an Owner Participation Agreement for Board consideration in early 2009.

2) Direct the Redevelopment Agency ("Agency") Executive Director to coordinate, in conjunction with the City Manager, key downtown stakeholders and community members to develop and bring back for Council/Board deliberation in early 2009, a concise Peralta Action Plan for mixed-use development in the blocks west of North First Street, focusing on ways that the Agency can:

- accelerate implementation and investment by those developers who appear "ready to build" to stimulate economic activity;
- leverage Redevelopment dollars to maximize private investment and commitments from federal, state, and regional sources;
- resolve anticipated parking shortfalls, and maximize scarce parking capacity with off-setting daytime and nighttime uses;
- create synergies between planned residential development and complementary retail and office development,
- present a compelling proposal for funding in any forthcoming federal appropriation focusing on urban revitalization.

BACKGROUND

By presenting this Peralta Action Plan, we urge the Redevelopment Agency to take advantage of an opportunity for a coordinated approach to the creation of a key downtown neighborhood west of North First Street. The multi-phase effort will feature several residential towers, interspersed with mid-rise housing, several office high-rises, new parking, and future BART portals, all enveloping an open-air urban retail market and restaurants.

The Peralta Action Plan, rooted in the Council's *Strategy 2000: San Jose Greater Downtown Strategy for Development*, focuses on a roughly twenty-block area, stretching from San Fernando Street in the south to Bassett Street in the north, bordered by First Street to the east and Notre Dame Street on the west. This includes the northern portion of the Almaden Gateway Redevelopment Project Area, the San Pedro Square District, and the historic public buildings bordering St. James Park.

This effort emphasizes four key development priorities from the Strategy 2000 plan, namely: developing diverse ground-floor retail uses, boosting the supply of high-density housing, expanding parking inventory and alternatives, and improving streetscape to enhance the Downtown's walkability. By encouraging the collaboration of several property owners, including KT Properties, San Pedro Square Partners, IntraCorp and Barry Swenson Builder, San Jose has a rare opportunity—not seen since the Santana Row development—to create a comprehensive, mixed-use vision for a large swath of urban area, some of which currently consists of little more than long-abandoned industrial buildings.

The action plan derives its name from the oldest historic structure in the oldest city in California: the Peralta Adobe, which sits buried within an all-too-indistinctive corner of the downtown. By more prominently featuring the historic resources of this area—the Peralta Adobe, the Fallon House, and the city's oldest park, St. James—this area can become a bustling showcase for San Jose's past and future.

The coordination of a potentially huge swath of redevelopment serves the interests of San Jose's residents in several ways, because it allows us to:

- leverage scarce Redevelopment dollars with private investment and commitments from federal, state, and regional sources;
- maximize scarce parking capacity with off-setting daytime and nighttime uses;
- create synergies to ensure that residential development will attract complementary retail and office development, as articulated in our Downtown Strategy 2000 plan;
- present a compelling vision for urban renewal to a new administration in Washington that may look for those transit-oriented projects with a clear "readiness to move forward."

Several recent events make this effort timely. To counter the severe economic downturn, the Congress and our new President have taken on a strong mandate of countercyclical investment in the nation's infrastructure and in revitalizing urban areas. Specific to this area, two high-rise residential towers—Barry Swenson's City Heights and KT Properties' Axis—have finished construction, bringing hundreds of residents seeking retail, restaurants, parking, and other amenities nearby. Finally, recent public decisions have made this area one of critical focus for future federal, state, and regional investment, namely:

- the approval of County Measure B on the November 4th ballot, which assures the construction of portals for the downtown BART station to serve this part of Santa Clara Street;
- recent state legislation providing the funds for the construction of a state courthouse and office tower at St. James and Market;

- the VTA's acquisition of much of the property bordering Market and St. John streets, commonly known as the "Mitchell Block"; and
- substantial interest expressed by federal authorities in the development of another set of courthouse and office buildings on the Mitchell Block.

Those public investments will bring thousands of daytime employees and visitors to the area, while the addition of several hundred additional condominiums and apartments will create urban, mixed-use neighborhoods at night and on weekends.

Critical questions arise for the Council to resolve in the coming months concerning the implementation of the Peralta Action Plan. New courthouses, residences, and office buildings bring resulting parking demands that cannot be satisfied with the existing inventory. In January, Council will consider the sale of the City garage at Third Street and East St. John, which could assist the Redevelopment Agency in cobbling the funds to purchase the block currently dominated by a Greyhound station at San Pedro and Post streets. Through the construction of additional parking at the Greyhound site, we'll be able to make development possible at other locations within a walkable distance.

The construction of an open-air urban market within San Pedro Square will serve as a focal point for the hundreds of new residents moving into the two recently-completed high-rises. This development, framing the Peralta Adobe and North San Pedro Street with cafes and small retail markets, will serve as a focal point for the hundreds of new residents moving into the two recently-completed high-rises, and is an important step creating a new neighborhood center in Downtown.

As financial markets return to health, other developments will include KT Properties' high-rise office tower at Santa Clara and Market and the second of Barry Swenson Builder's residential towers in the North San Pedro area. Additional towers are planned and entitled, comprising over $800 million in private investment.

Weaving these disparate threads together into a unified vision requires communication with local stakeholders—including the San Jose Downtown Association, the San Jose Downtown Residents Association, 1st Act, History San Jose, and the St. James Historic Neighborhood Association—along with developers and business owners. By communicating clearly and coordinating the development of this action plan with developers, local residents, and other downtown stakeholders in the coming months, we can present San Jose as a model of urban revitalization to the rest of the nation.