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Lean-Jung building?

Did you know?

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Want to get involved?

**CRR continues to  
vigorously oppose the  
use of eminent domain  
to transfer property  
from one private  
party to another.**

**CRR meets the  
second Thursday of  
every month  
between 7:00 and  
9:00 p.m.**

**Interested in  
learning more? We  
would love to come  
and give a personal  
presentation to your  
group.**

**Please call to set up  
an appointment or  
for more  
information.**

### City Buys Building Now, It's Selling (Or Giving) It Away

Shoppers, what kind of retail do you want in downtown San Jose? Expensive shoes, European glass and tableware, or "two stories of destination retail in a high-density, first class structure to incorporate brick, steel and concrete" (RDA description).

These are among the four proposals submitted by developers for the northwest corner of First and San Fernando streets which San Jose Redevelopment is now considering. Two of the four developers propose that the city give them the property, the other two would pay a small amount for this historical building. The city contacted 230 developers. Four submitted proposals.

The Lean-Jung Building (Crescent Jewelers) on the corner of South First and San Fernando Streets was sold to the City of San Jose in November, 2002 under threat of eminent domain. The elderly owners did not want to go through a legal battle to avoid having their property taken by the city which hinted in newspaper articles that they were considering the "last resort" of eminent domain.

Now the SJRDA is looking for someone to buy this historic building and "...enhance the Downtown by providing active retail, a lively storefront and by encouraging pedestrian traffic through zoning compliant uses." (Request for Proposals, SJRDA)

The previous owners worked with RDA for 6 - 7 years to do just that, but then the agency stopped including them in the plan. One of the former owners, Bill Jung, an architect for 30 years, had plans and drawings to revitalize the building but the city never included his ideas.

Jung says we cannot afford to lose any more historical buildings. The history that occurred in that building is important to San Jose. The Wilcox Building was first developed as the Price Hotel which housed passengers between San Francisco and the gold fields. Elbert J. Wilcox purchased the hotel in the mid 1850's and it was called the Morgan House.

One of Wilcox's upstairs office tenants was Dr. Benjamin Cory, San Jose's first practicing physician and former mayor who occupied the office from the early 1870's until his death in 1896.

In 1907 the corner store was leased to William B. Lean who opened a jewelry store which continued to operate at the site until 1984. Lean and his partner William H. Jung purchased the block from the Wilcox heirs in 1920 and the building was in the Jung family until 2002.

The redevelopment agency planned on putting this property into the Mixed Use Project which might have entailed demolition of this historic building. Now that project has fallen through, and RDA is planning to sell or give the property to a developer with plans similar to those above.

One might speculate about what the former owner might have done to rejuvenate the building with the city's help. Jung said, "If you help small local businesses, they will survive. Jung commented, "San Jose does not get it."

### **Did you know ???**

"Consider the deal that the city council approved last week to sell the old Woolworth building at 27 S. First St. to an Oakland-based furniture retailer, Black Sea Gallery. The agency is selling the property for \$500,000 down and extending a publicly financed, low-cost loan of another \$500,000. Call it \$1 million, heavily discounted over 10 years. What the agency memo does not tell you -- maybe it's an oversight, maybe not -- is that the agency bought the property from the Bank of New York five years ago for \$3.1 million. By my math, that's a bath of at least \$2.1 million, not to mention the lost interest on the agency's money."

~ Scott Herhold, *'Buy High, Sell Low' still S.J.'s motto, San Jose Mercury News December 21, 2003*

## San Jose City Council Candidates

**CRR sent 3 questions concerning redevelopment to each of the 10 city council candidates. Dale Warner and Chuck Reed, both running for District 4, were the only candidates to respond. Below are the questions followed by their responses.**

1. San Jose RDA has often voted to give money to chain nightclubs and restaurants while removing or excluding local businesses while also stating that RDA law precludes the expenditure of RDA funds for public services or for schools. What would you propose to encourage local businesses and to bring the tax increment funding back to schools and the local community?
2. RDA bonds finance projects that are transforming the City's landscape, population and standards of living. What is your opinion regarding subjecting the issuance of these bonds to voter approval?
3. Have recent RDA projects, activities and decisions supported or conflicted with the free enterprise system in San Jose? Specifically, which projects, activities and/or decisions support your opinion and what, if anything, would you have done differently if you were sitting as a member of the Agency Board?

### Chuck Reed's Responses:

#### Question #1

San Jose needs to change the way it does business to make it easier, quicker and cheaper to start and expand a business in San Jose so we can create more jobs for our people and generate more revenues to pay for services for our residents. We need to avoid killing businesses through the use of eminent domain or the threat of its use. That's one of the reasons I voted against using eminent domain at the Tropicana.

How our tax revenues are allocated is determined by the state. Redevelopment funds are just one of many sources of revenues that the state tells us how much we get and how we can spend the money. I support the League of California Cities efforts for a ballot measure to keep the state from taking local money without a vote of the people.

#### Question #2

Even though I voted against the RDA budget and the \$180 million in bonds the RDA issued last year, I think the RDA is usually carrying out programs and policies that most people support. I don't think having an election for bond issuance is a good idea.

#### Question #3

RDA activities have been in conflict and supportive at different times. I worked to kill the idea to use eminent domain to take 40 sites for housing. I voted against using eminent domain to take the Tropicana Shopping Center. I voted against increasing the scope of eminent domain powers in the Strong Neighborhoods Initiative area. I voted against expanding the Century Center Redevelopment Area.

However, I work with businesses often who want help (but not money) in locating in the Rincon de Los Esteros Redevelopment Area and the RDA has been very supportive of free enterprise on many occasions. In the last year, EBay, BEA Systems, and NBC11 have launched major new projects in that area. There have been many other cases of RDA assisting small businesses as well.

Liza Porteus' Fox News article dated May 2, 2003 lists the cities that are accused of being the **worst eminent domain abusers** in the nation. Guess who makes the list?? San Jose! Also included were Detroit, Riveria Beach, Fl., and Philadelphia

Her article can be found at:

<http://www.foxnews.com/story/0,2933,85753,00.html>

## **Dale Warner's Responses**

### **Question #1**

Here are my thoughts on this issue. RDA has become a rogue force in city planning and development, almost an unaccountable, separate, top-down, heavy-handed city government in itself. Obviously, RDA should cease promoting competing businesses for downtown, and should reduce the size of its total project areas by at least 50% as soon as possible. At my debate with Chuck Reed before 30 members of the chamber of commerce this morning, I told them that RDA was never intended to be permanent, that it has had its life of 50 years, and that its trajectory is nearly over. Chuck argued that RDA was for economic development, and I said that the Community Development Law emphasized removing blight, promoting public spaces & parks, and housing.

I also told them that if they want downtown to be vibrant, they need to reduce the cost of parking to zero, somehow. I mentioned that we get more of what we subsidize, and less of what we tax. They seemed to understand.

One of my goals is to roll back RDA completely out of District 4 which includes all the Rincon Area and North First Street. There is no blight there, and ordinary city policies are quite sufficient to promote needed development in District 4. Reducing redevelopment project areas would automatically restore tax increments back to the schools, the county, and the city.

Encouraging local business is probably best done by getting out of its way. I'm a local businessman in one sense, and city hall appears to be to be constantly on the take, with no give involved. One good thing city hall does is to provide incubator space for various businesses. The software development incubator on North Second Street appears to be very successful and popular.

An extremely powerful idea may be timely, and it is to require a vote of the people before bonding in the future. I am sure there is a legal way to require this if we wanted to look into it. It may be as strange as a charter amendment saying that a vote for bonding without a vote by the people is a resignation from office as city council member. Another thing we could consider would be to adopt "pay as you go" as a city charter policy and require deviations to be approved by a vote.

At the city council meeting yesterday afternoon, talk of "commercial paper" was freely advanced as a way of incurring indebtedness, especially for new city hall furnishings. City administrators referred to this as an inexpensive way of borrowing, and referred to it as similar to a line of credit on a bank. They mentioned no way of paying it off, however. I had thought that Lease Revenue bonds were the successors to RDA bonds, but it may be that we will be hearing more of "commercial paper" in the future, too. Totally outrageous. It was stated that "commercial paper" was already in use for airport improvements and was highly successful.

### **Question #2**

I believe that all bonds sold by the city should be subjected to a vote of the people, including RDA bonds, lease revenue bonds, commercial paper, and other products of the Financing Authority. In other words, the people should vote on all deviations from the principle of "pay as you go."

### **Question #3**

By definition, all activities by RDA conflict with the free enterprise system. All RDA activities are more like Soviet top-down planning than like the free enterprise system.

Some recent examples of RDA activities that I would have opposed are the 40 sites RDA take-over effort, the 40 sites signs removal by RDA, eminent domain against Tropicana, RDA support for Tamien Place, RDA's resistance to freeing project areas when blight is removed, and RDA's giving Black Sea Gallery a downtown building at 1/3 the cost the city paid.

## Dale Warner's Response to Question #3 Continued

When you ask about what an RDA board member can do, it appears that there are two things: work hard to clear up your own district of RDA activities on the basis that individual council members are very powerful with regard to his or her districts (the San Jose Mercury News mini-mayor theory), and b) work to develop "strategic alliances" with other council members to reduce or reform RDA impact throughout the city, (just voting "no" is not enough). The best thing a council member could do is to join with city groups and arrange for large numbers to appear at city hall on issues as well as to meet with individual council members on various points. This would be a big effort, but it hasn't been tried before by any city council member, and a city council member would be the person who has the most access to the process and substance of RDA. A little community organizing using allied groups like UNSCC and others could go a long way in the future.

You can view a list of all the San Jose Council candidates at:

<http://www.sanjoseca.gov/clerk/Election2004/CandidatesMarch03.htm>

**Thank you to Chuck Reed and Dale Warner for taking the time to respond to our questions!**

### **The Gnat Knows.....**

There is no budget crisis, only a crisis in leadership. The mayor and council would have us believe that San Jose's woes are the fault of federal and state shortfalls and a declining local economy. The fact is city spending has exploded over the past few years. From July 1999 to July 2003, the city's general fund budget grew by 25%. In one year alone (July 01-02) the budget grew by \$100 million! (Source: City Manager's Office)

Solving the budget crisis is very simple. Just adopt the budget outline of two years ago.

**SNI ALERT:** During a recent budget study session, the need to grow tax increment money to keep RDA alive brought a challenge from Councilperson LeZotte to the lack of Tax Increment revenues from SNI neighborhoods. Watch for written response promised by City Attorney Doyle

### **Making a Difference...**

San Jose has 14 openings on various committees including library, rent, and historic landmarks. You must live within San Jose city limits and cannot be a City employee. The term is for 3 years ending June 2007.

Applications must be submitted by February 27. For more information call 408-277-2744 or go to

<http://www.sanjoseca.gov/clerk/vacancy.htm>

### **Links to Articles and Sites You Should See**

- **Fox News Article: *Citizens Mugged by the State***  
Randall Fitzgerald. November 6, 2003  
<http://www.foxnews.com/story/0,2933,102319,00.html>
- **Christian Science Monitor: *Eminent Domain and Private Gain***  
Alexandra Marks. May 9, 2003  
<http://www.csmonitor.com/2003/0509/p01s03-ussc.html>
- **Forbes.com: *Domain Abuse***  
Ira Carnahan. June 11, 2003  
[http://www.forbes.com/2003/06/11/cz\\_ic\\_0611beltway.html](http://www.forbes.com/2003/06/11/cz_ic_0611beltway.html)
- **RealEstateJournal.com: *Tracking the Abuse of Eminent Domain***  
Dean Starkman. May 7, 2003  
[http://www.realestatejournal.com/columnists\\_com/bricks/20030507-bricks.html](http://www.realestatejournal.com/columnists_com/bricks/20030507-bricks.html)
- **Almaden Times Weekly: *Local Asian American groups want full disclosure in landmark Tropicana eminent domain case***  
Barbara Luis  
<http://almadentimes.com/111403/Tropicana.htm>
- **San Jose Mercury News: 'Buy High Sell Low'**  
Scott Herhold, December 21, 2003  
<http://www.mercurynews.com/mld/mercurynews/2003/12/21/news/local/7544195.htm>
- **San Jose Mercury News: 'History in Peril'**  
Janice Rombeck, January 31, 2004  
[http://www.mercurynews.com/mld/mercurynews/news/local/states/california/the\\_valley/7842680.htm](http://www.mercurynews.com/mld/mercurynews/news/local/states/california/the_valley/7842680.htm)