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SQUARE FEET

Fresh Start for a Rebirth Stalled by a Recession

San Jose Is Picking Up Where It Left Off

By ALISON GREGOR

SAN JOSE, Calif. — Once stigmatized as a rough neighborhood, this city's downtown has turned around in the last decade, when a new opera hall, museums, a hockey arena and a convention center began attracting suburban residents taking advantage of a growing light-rail system.

Residential and commercial construction was poised to follow. But that development momentum stalled in 2008 when the economy receded, leaving the city's first high-rise buildings with few buyers. At the same time, a proposal to develop north San Jose into a second urban hub ground to a halt. Plans to build

Hoping to lure tech workers away from San Francisco.

high- and midrise housing, shops and hotel rooms next to successful technology enterprises were shelved.

Now that the economy shows signs of picking up, city officials and real estate developers are doubling their efforts to sell apartments and obtain development loans to restart what they say is a San Jose renaissance.

"There's no question that downtown San Jose is like night and day to what it was 10, 15 years ago," said Barry Swenson, a native and president of Barry Swenson Builder, who has erected several high-rise towers. "The downtown is clean as a whistle, there are flowers everywhere, and the streetscape's good."

With the goal of creating as many as 10,000 apartments, the city began waiving affordable housing requirements in 2004. Developers fell in line to get approval for the first high-rise towers to be built in this sprawling suburban city, the country's 10th-largest with a population of just under 1 million.

Though builders nationwide began pulling back from condominiums in 2006, some San Jose developers persisted. By 2007, 20 towers were reported to be in various stages of development. But just four projects of about 20 stories each were built — City Heights with 124 units; Axis with 329 units; The 88 with 197 units; and 360 Residences with 213 units, which opened in May. The complexes offer amenities like pools, fitness centers and doormen.

"Unfortunately, they're coming to market at one of the most miserable times," said Shiloh Ballard, the director of housing and community development for the Silicon Valley Leadership Group, a consortium of area business executives. "If they had come to market three years ago, all the units would have sold."

As it stands, much of the market envisioned for the condo units — young, well-paid, single technology workers seeking an urban lifestyle who often land in San Francisco — has disappeared. They have either been laid off, suffered salary cuts or, since housing prices have fallen throughout the Bay Area, now can afford San Francisco.

The remaining potential buyers have apparently thought twice about paying as much as $700 a square foot for a high-rise condo in a market where the going rate for low-rise apartments has been at most $425.

Still, some of the high-rise developments got to market early enough to attract prerecession buyers. Construction on City Heights, developed by Mr. Swenson's company, began in June 2005, and half its 124 units were sold by November 2007 before sales stalled, the developer said.

Guerrilla marketing tactics (including a fake picket line of "protesters" seeking "better views" to attract the attention of potential buyers) and steep price cuts to $372 a square foot have been required to move the remaining units. Penthouses originally priced as high as $1.4 million were reduced to the $600,000 range. The building is more than 80 percent sold, Mr. Swenson said, and prices have reverted to the original $550 a square foot.

Wilson Meany Sullivan, a developer based in San Francisco, built a parking garage and installed a Safeway as part of constructing the 197-unit 88, which is near San Jose State University. Plans for a second high-rise tower have been deferred for now, said Seth Bland, a partner in the development group.

Mr. Bland said the developers tried to import the sort of product — and prices — more typical of San Francisco. Purchase prices for studio apartments start in the high $200,000s, and penthouses go for more than $2 million. The building is more than half sold, said Paul A. Zeger, the president of Pacific Marketing Associates, which is marketing The 88.

PETER DaSILVA FOR THE NEW YORK TIMES

MYON ARCHITECTURAL PARADIGMS

Above, a deck on the 21st floor of The 88, a 197-unit condo project near San Jose State University. Left, a drawing of Crescent Village, a 1,750-apartment project set for north San Jose.

The recession also significantly set back city plans to populate north San Jose — home to more than 1,200 technology companies — with permanent residents in as many as 32,000 new apartments and houses by 2030.

To create this urban hub near a light-rail system that transports passengers to downtown San Jose and other parts of Silicon Valley, construction of housing units would be connected to job growth in the area — which has largely been thwarted by the recession.

About 26.7 million square feet of new industrial space is being planned. Before the recession, condo and rental projects were on the drawing board, some with thousands of units and some in high-rise buildings, including a two-tower complex with 460 units proposed by Barry Swenson Builder. Now, only one project is under way.

The Irvine Company Apartment Communities plans to build Crescent Village, 1,750 rental apartments on nearly 40 acres near the light-rail system in north San Jose. Crescent Village will consist of five four-story "villages" atop underground parking garages.

The development will have amenities like a park, pools, fitness centers and club rooms, said Darin J. Schoolmeester, a principal with MVE & Partners, the architecture firm designing Crescent Village. He said Crescent Village would include retail space, perhaps for small markets, delis, coffee shops or restaurants.

Mr. Schoolmeester said that even though financing for such master-planned developments withered in the recession, the model was still viable.

"When the economy starts to hum again," he said, "we'll see a continuation of people really wanting to live in town, close to where everything is, instead of dealing with a commute."

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