

SHOPS HOPPING IN SANTA CRUZ

Surge of store, restaurant openings

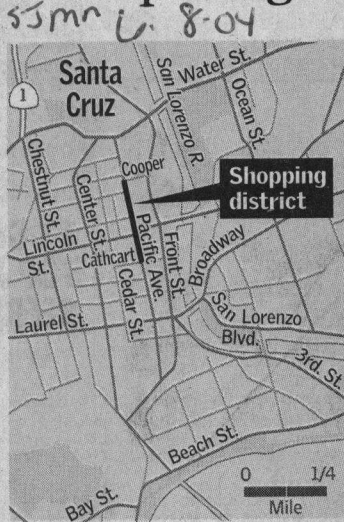
By David L. Beck
Mercury News

As the 15th anniversary of the earthquake that ate Santa Cruz approaches, the city's increasingly lively downtown is lurching toward a condition that seemed improbable only a few months ago: There's hardly an empty storefront to be found.

Seven new restaurants — five of them on Pacific Avenue, the main drag — have either opened or expect to do so by spring. And two clothing stores and a shoe salon have taken over key spaces.

The sudden activity is as pleasing to Santa Cruz officials as it is baffling.

"I don't really don't know if it has any-



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thing to do with what we hear is a national trend in the economy," said city council member and bakery owner Emily Reilly. "We have one of the most active downtowns around — that's what it shows."

Seven restaurants won't make up for the loss of Texas Instruments, the city's biggest taxpayer, which closed in 2001.

But "every little bit helps," said the city's cautious finance director, Dave Culver, pointing out that restaurants provide only 15 percent of the city's sales tax revenue. "It's certainly better than if the trend were in the other direction."

Two of the seven new food outlets are locally owned franchises. Two others wouldn't mind being the start of new franchise operations. One will have an Australian theme. Another is run by Tibetan Buddhists who plan to give half their profits to organizations that support world peace. And two of the new owners are former high-tech workers.

Some call the upsurge coincidence, the sort of thing that's going to happen now and then in a four-block area that was substantially rebuilt after the Loma Prieta earthquake of 1989.

Those experts think the upsurge simply means that, for businesses looking for a downtown space, "all of a sudden either the price is right or the location is right," in the words of Ceil Cirillo, head of the Santa Cruz Redevelopment Agency. Plus, she suggested, owners became more flexible.

For example:

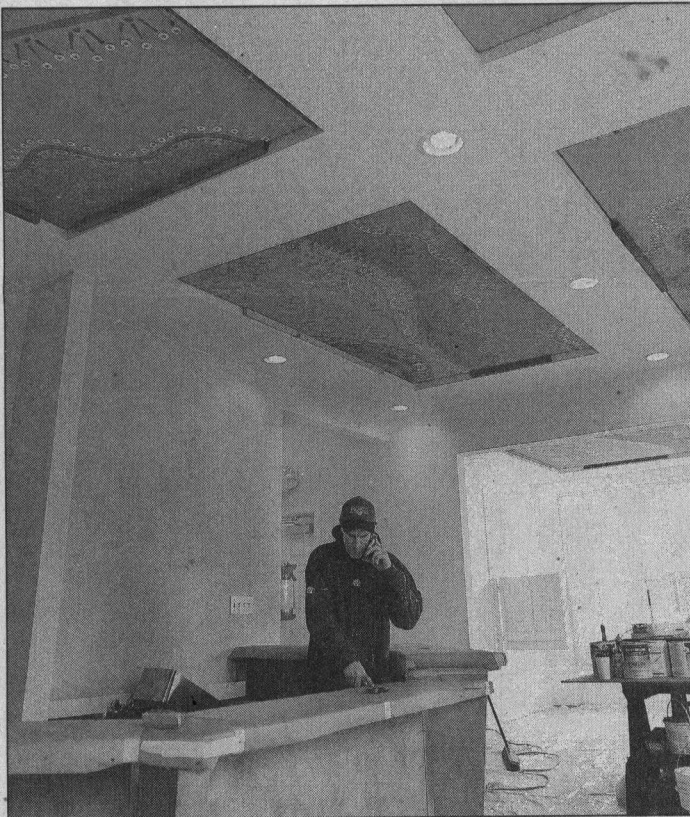
■ The big corner building that used to house the Cat 'n' Canary clothing store sat va-



COOL CONCOCTIONS: Cold Stone Creamery, which opened in December, whips up flavors.



TRENDY THREADS: Urban Outfitters is one of the new clothing stores in downtown.



PATRICK TEHAN — MERCURY NEWS PHOTOGRAPHS

FUTURE DINING: Marc Westburg supervises the construction at the site for his new restaurant, Barossa Grill, in Santa Cruz.

cant for four years before Kelly Kissee and Tracy Parks-Barber struck a deal with the current owners that led to their new Kianti's Pizza and Pasta Bar.

■ Nearly two years after the Palookaville nightclub went belly up, the building's owner sliced the big empty

space into several smaller ones. The results are Cold Stone Creamery, which opened in December; Baja Fresh, still under construction; a third unleased retail space — and a bonus of three upstairs apartments.

But there are others who believe that restaurants are a

kind of harbinger of economic springtime. "This could be an indication that things have bottomed" and that investors are now feeling hopeful, said Michael Beyard, senior resident fellow for retail and entertainment at the Urban Land Institute in Washington, D.C. "There is some release of pent-up demand as well as optimism."

Plus, he said, there is "the long-term trend toward increased dining out . . . even in places where the market has declined. These kinds of pleasures — dining out, going out with friends, the pubs, the coffeehouses, all these quick, casual events" — are in a growth cycle nationwide, Beyard said.

In Silicon Valley, development officials are also upbeat. The only quiet spots seem to be Campbell, where Redevelopment Director Kirk Heinrichs said "folks are a little reluctant" to invest, and Sunnyvale, where the old Town Center is in redevelopment.

San Jose Downtown Association director Scott Knies points to McCormick & Schmick, P.F. Chang's and Paragon, all high-end restaurants about to open in places that had no restaurants before. "We're not there yet with the traditional retail," he said, "so you're going to see more dining."

Mountain View City Manager Kevin Duggan notes two new restaurants on a single corner of Castro Street, and a third being built.

Los Gatos is so popular it has a moratorium on new restaurant spaces, said Community Development Director Marty Woodworth. "If we allowed it, basically the whole downtown would be restaurants," said Woodworth.

Contact David L. Beck at dbeck@mercurynews.com or at (831) 423-0960.