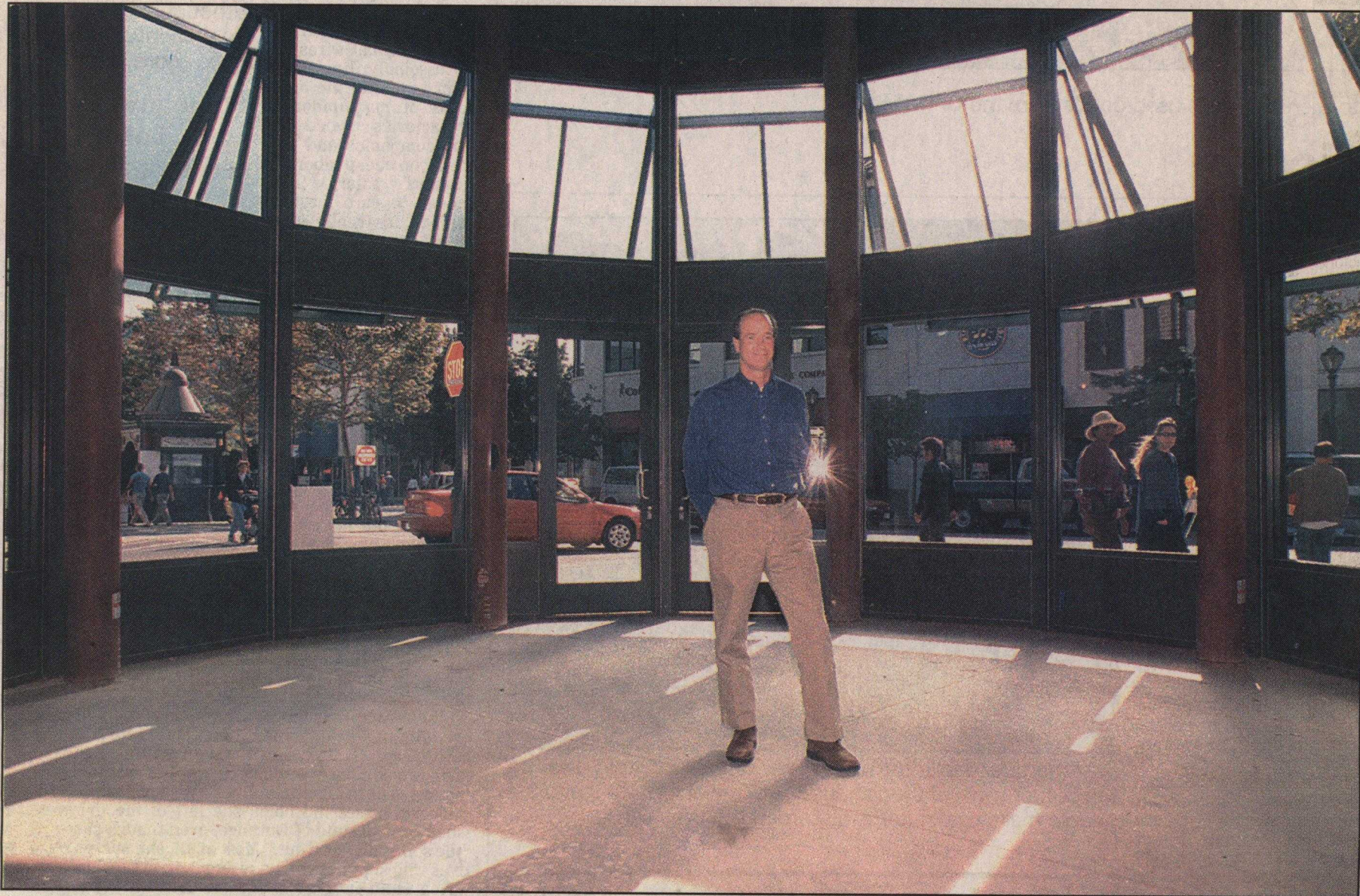


Purely economics

Redtree CEO discusses the Borders bookstore controversy

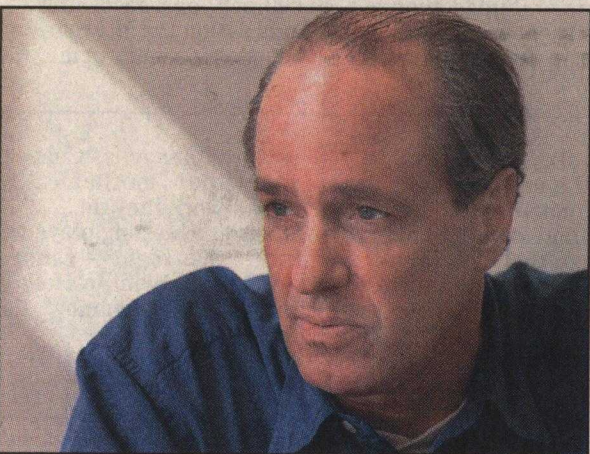


Dan Coyro/Sentinel photos

Doug Ley of Redtree Properties stands in what could be the entry of a Borders bookstore at a prime location on Pacific Avenue.

Developer vilified in his native Santa Cruz

By DONNA KIMURA
Sentinel staff writer



'As an owner of a property, you're not in the business of balancing the interests. As an owner, you are in business and your job is if you have space and it's empty you find a tenant for it.'

— Doug Ley

DOUg LEY IS standing in the eye of a hurricane. As chief executive officer of Redtree Properties, he has brought chain stores into his hometown of Santa Cruz, a community that regularly braces against such national presences.

Sometimes he wins, sometimes he loses.

Ley, 48, unleashed the latest torrent when his company signed Borders bookstore as a tenant in its new downtown building at 1200 Pacific Ave.

The move set off a fiery debate over the role of big chain retailers in downtown Santa Cruz.

Some people hate it, saying it will forever change the character of the city and threaten the livelihood of existing businesses.

Others say it is about time, a necessary ingredient to a healthy downtown economy.

Ley, who now lives in Marin County, seems unruffled by the discourse. He focuses on the big picture. He doesn't catch himself on small problems.

He is the third generation to lead the business begun by his grandfather, George Ley, in the 1920s. Redtree began as the Santa Cruz Lumber Co. Over the years, it has evolved into a real estate investment and development business.

Among its more sizable, controversial projects have been the county's first Toys R Us and Circuit City just

outside Santa Cruz city limits.

Only a lawsuit has blocked another project, a proposed expansion of the Bay Avenue shopping center. Borders was originally proposed to be there. Capitola Crossings received Capitola City Council approval before being derailed by opponents.

Redtree then signed Borders as a tenant in its Santa Cruz building.

Ley recently sat down to be interviewed for "Leading Voice," the Sentinel's monthly question-and-answer feature with business leaders.

Q: What is your philosophy for running a business?

Ley: The first step to running a business is to set clear strategies and goals. The second step that is equally as important or more important is to hire good people and trust them and delegate to them.

I think you are at a severe disadvantage if you try to micromanage anything. I've been a lawyer for years. There, just because of the nature of the service, you need to micromanage more of what is going on because your clients expect that. In a business setting, if you try to get into every detail of every issue, you will drown.

Q: How are decisions made at Redtree?

Ley: We are communicating all the time by voice

Leading Voice: Redtree CEO Doug Ley

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mail, e-mail and in person about what is going on, what issues are before us and what to do. And, we have regular meetings with a committee of the investors, the partners. We keep them apprised of what we are doing so they can have input. Ultimately, I'm responsible for making decisions.

Q: What do you think is the key to being successful either as a lawyer or the head of company?

Ley: You got to put several things together. You have to be willing to work hard. You got to be willing to listen to everybody. You have to have the self-discipline to stand back and look at a broader picture, the broader strategic picture of where you're going and what you're trying to accomplish. It's very easy when you're running a business to get caught up in the immediate problems in front of you that day. You can't avoid those problems. You got to attack them, but you also have to have the good fortune or whatever to be able to step back.

Q: What has been the best business decision that you have made?

Ley: I think it was bringing in independent management to help run the business.

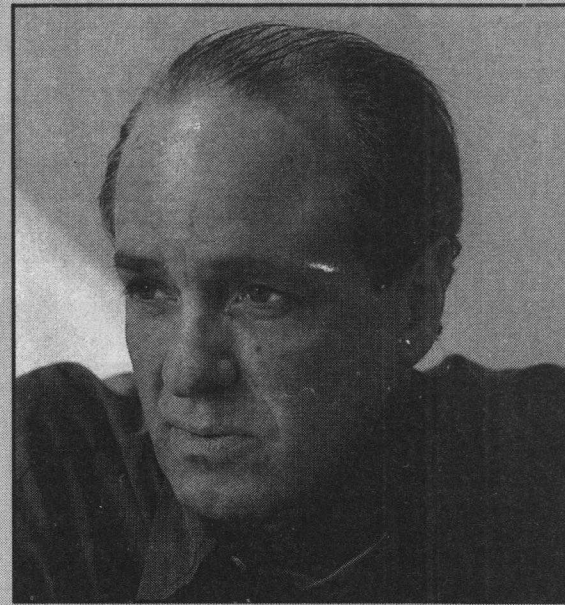
Q: Why?

Ley: It brings a level of expertise and sophistication to our assessment of opportunities and direction we can take.

Q: What has been the worst mistake?

Ley: You are always looking at it with a "retrospectroscope." I'm not certain looking forward we would have said it was a bad decision, but I think the Capitola situation for us has become a very difficult problem. You can call it a mistake we made for all the right reasons. We made it for very good reasons. Capitola made a tremendous amount of sense. It is the right thing for Capitola. We convinced four members of the council of that.

In retrospect, in economic terms it hasn't been worth it. The problem is whenever that project gets built,



LEADING VOICE
Q&A with local business leaders

Name: Douglas Ley

Title: Chief executive officer

Company: Redtree Properties is a real-estate investment partnership with property holdings valued at about \$25 million in Santa Cruz County, according to county assessor's records. The company has eight employees.

Age: 48

Education: Santa Cruz High School, class of 1969; bachelor's degree in political science and English from Haverford College in Haverford, Pa.; and law degree and master's in public policy from Harvard University

Prior job: Partner O'Melveny & Myers, a San Francisco law firm

Favorite book: 'No Ordinary Time: Franklin and Eleanor Roosevelt: The Home Front in World War II' by Doris Kearns Goodwin and 'Absalom, Absalom!' by William Faulkner

What people don't know: He will save copies of The New York Times for months and then read them on long trips.

“The hardest part is when people in your opposition try to portray you as evil instead of engaging in the issues, simply color you as evil. I believe you save evil and terms like that for Slobodan Milosevic and Adolf Hitler.”

you're not in the business of balancing the interests. As an owner, you are in business and your job is if you have space and it's empty you find a tenant for it. Other than excluding businesses that are clearly offensive or are clearly bad for the community, I don't think that our job as an owner is to make a decision about who's good and who's bad for the community. We make an effort to get the best tenant that we can both in terms of financial strength so it can continue to operate well and in terms of appeal that we think will bring to customers downtown.

Q: Why Borders?

Ley: We have had this property for lease for over two years. Before it was constructed, we've been advertising. We looked and looked for other tenants. We could not find another tenant. When our Capitola project was tied up in court, Borders said if we can't go there, we would be interested in going downtown. We talked to them and explored other options, looked for other tenants, didn't find any. It was simply a matter of they were the only tenant we could find for that space.

Q: After the controversy in Capitola was there any thought in saying we don't want to go through this again with Borders?

Ley: We looked at the local ordinances carefully. We looked at the downtown plan and concluded that Borders was fully legal. We felt it was the right thing to do.

It did not make sense to leave that space empty particularly with the Cooper House coming on with another 20,000 square feet, with Crown Books space empty with 20,000 square feet, with University Town Center coming on with 20,000 square feet. If we didn't find a tenant soon, we would be competing with all those. It was going to be difficult to find a tenant.

Q: Don't you think as a businessman you have a larger responsibility to the community?

Ley: Yes. Redtree and I recognize our responsibilities to the community. We have supported a wide va-

of Borders as a rapacious, unfair competitor when in fact they are simply very good at serving their customers.

The second thing gets back to the issue of change. People in this community are very afraid that Santa Cruz is going to become like San Jose. That is a fear I might add that has been around since I grew up here. Since I grew up here, this community has probably quadrupled in size, and it's still not like San Jose, and it will never be like San Jose. We don't believe having strong retail options is going to hurt the character of the community.

Q: If you don't stop national retailers and slow growth, how do you keep Santa Cruz from becoming San Jose?

Ley: I recall conversations when was at Santa Cruz High 30 years ago with classmates who were worried at the way San Jose was becoming like Los Angeles as the orchards were being gobbled up. And the fears were largely justified. The orchards have been paved in silicon.

During this time, Santa Cruz has also grown enormously without becoming like San Jose. Why aren't we like San Jose? Not for lack of stores that remind us we are part of California and the United States. We have Longs, Safeway, Lucky, Costco, Cost Plus, Sears, Toys R Us, Gap and more. I don't believe that the presence of these national retailers or new ones that might arrive can ever turn our unique university community nestled between the mountains and the sea into Los Angeles or San Jose.

To focus on national retailers is to ignore what makes this community vital and uniquely Santa Cruz. And let us not forget that what is unique about Santa Cruz will change over the years. Pacific Avenue has changed many times over the last 100 years, and it will continue to change if it is to stay healthy. I doubt that our opponents would like to bring back the Pacific Avenue of my youth which didn't have many chain stores, but also didn't have many choices. If they wanted to bring back the Pacific Avenue just before 1989, they would find many more chain stores

for Capitola. We convinced our members of the council of that.

In retrospect, in economic terms it hasn't been worth it. The problem is whenever that project gets built, it is very weak economically for us.

Q: You're talking about the whole Capitola Crossings project.

Ley: The expansion of the Capitola Crossings.

Q: What's it like being a real estate developer in Santa Cruz?

Ley: We don't like to think of ourselves or call ourselves real estate developers. It's not that we don't have respect for developers. I know for some people it's a bad word. We with very rare exceptions are really investors. We see ourselves building a project because we want to be owners because we think it is a good investment. Developers tend to be people who build something and sell it off to someone else.

I think the environment we're seeing today in Santa Cruz County and the general hostility to change is making it extremely difficult to bring real improvements to the community. The most vivid example of that is our Capitola shopping center. It's a great improvement to that location, a great improvement to the community. The hostility of a small group of people who didn't want to see it happen prevents something that can be a positive addition. The resistance we're hearing to bringing Borders downtown is another example of an effort to stop change, stop something different than what has been here before. It can be a positive development for downtown. It gives people more choice.

Q: How has the controversy surrounding the Borders issue changed you as a businessman?

Ley: I think the hostility to change and the level of hostility this has engendered has left me with serious reservations about further investments in Santa Cruz County. When you try to bring good projects with tremendous potential and get the kind of reaction we've received, it makes you reconsider. That's unfortunate. This is a community I grew up in, my father and grandmother grew up in. Much of my family still lives here and I still spend time here.

I will add that I think it's the wrong message to be sending. I hear from a lot of my colleagues in the real estate business, "You don't want to go to Santa Cruz." I've talked to hotel developers and retailers and other people and they are afraid to do anything in this

that for Slobodan Milosevic and Adolf Hitler. »

community.

Q: With the Borders fight in Capitola and now in Santa Cruz, how difficult have the last two years been?

Ley: I think the last two years have been both very frustrating and very rewarding. We felt a sense of pride and accomplishment that we were able to convince the city of Capitola and the council that our expanded center would be a good thing. It was frustrating that we are tied up on that project in court. We think we'll ultimately be upheld, and we will build that center.

We were not surprised at the uproar downtown. Mr. Coonerty (Neal, owner of Bookshop Santa Cruz) and the other independent booksellers organized opposition in Capitola. We expected it downtown. We simply don't agree that they should determine where people buy books. We are in the business of leasing space. That was the only game in town. Borders was interested in taking the space.

Q: What's been the hardest part?

Ley: The hardest part is when people in your opposition try to portray you as evil instead of engaging in the issues, simply color you as evil. I believe you save evil and terms like that for Slobodan Milosevic and Adolf Hitler.

Q: How do you deal with that?

Ley: When I have the opportunity I try to talk to people who say those things and try to explain what we are trying to do. Generally, I find if you can engage people one on one or in small groups, most people are interested in listening.

Q: How do you balance such strong feelings on both sides of the issue?

Ley: First you want to insist that the debate be open and fair so people can hear the issues. I think it's healthy.

You have to ask several questions. What is appropriate for the

City Council, the political body, to determine? Then what that determination should be.

I strongly believe that the City Council should set the tone for the size of buildings, the looks, the zoning, the types of business that should be downtown. It should not get in the business of being a mall operator and making the decisions

of who the tenants should be downtown. They simply should not have that role in society. A politically elected council should not be in the position of making decisions of who the tenants are.

Q: But how do you personally balance this issue?

Ley: As an owner of a property,

— Doug Ley

community to the community. Ley: Yes. Redtree and I recognize our responsibilities to the community. We have supported a wide variety of local institutions, including UC Santa Cruz, Cabrillo College, Santa Cruz High School, Delta School, Felton Community Hall and Dominican Hospital to name just a few.

As an owner of a building, I believe we have an obligation to find excellent tenants that will enhance the community. If we can find a highly successful business that can locate downtown it will help to draw more shoppers to Pacific Avenue and improve opportunities for all the local merchants and their customers.

Q: Why has Borders hit such a nerve?

Ley: First, the independent booksellers have painted a false picture

wanted to bring back the Pacific Avenue just before 1989, they would find many more chain stores than there are today. Gottschalks, J.C. Penney and The Limited were all there.

Q: What's Redtree's next project?

Ley: We don't have a next project. We want to finish getting 1200 Pacific leased, and we want to finish with Capitola. We are simply continuing to look for good investment options in Northern California. We don't have plans to do a new building.

Q: What do you think you will be doing in five years?

Ley: I will make no predictions. I simply hope it is as challenging and interesting as what I'm doing today, but I make no predictions.