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Watsonville's downtown suffers from vacancies

Editor's note: This is the first of two articles about downtown Watsonville. The second, focusing on efforts to redevelop the 200 block of Main Street, will appear tomorrow.

By LANE WALLACE
STAFF WRITER

Two years ago, a 4,000-square-foot vacancy was created in the heart of downtown Watsonville when John's Shoe Store moved from 434 Main Street to 456 Main.

The spot at 434 Main is still vacant.

It's not the only empty spot — others are scattered through the downtown. No statistics are kept, but merchants interviewed for this article say the vacancy rate is the highest it has been since the recession of 1981-82.

But while the vacancy rate has increased, people are still putting money into improving the downtown. Two major renovation projects have been completed (the Porter Building and the Resetar Hotel) and a shopping

center is planned for the 200 block of Main Street. Other properties have been improved by their owners in recent years.

Some downtown merchants say the main reason for the high vacancy rate is a downturn in the economy, some say rents are too high, and others are critical of the city for allowing too much commercial development in other parts of Watsonville.

Glen Olives, who owns the spot where John's moved from, said he's surprised the space hasn't been rented yet.

He's had some inquiries, including one this week, but no firm offers.

"I'm flexible," said Olives, adding that he's willing to rent a portion of the building.

But, he said, that flexibility will only go so far.

"I cannot rent it for less than I'm charging my other tenants," he said.

Olives owns the Kalich building, which includes the now-empty shoe store, Lazy Day Casuals for Men, Mike's Bikes and Dr. James Taylor's

office. Rents range from 45 to 65 cents a square foot, Olives said.

Olives said he thinks city officials "are not focusing enough attention on the building up of the (existing) downtown and dealing with traffic."

Instead, he said, they're putting their energy into the 200-block project, which will include a new post office and shops to replace the buildings torn down by the city last year and those to be demolished later this year.

"I'd like to see a mall" in the downtown with limited traffic on Main Street, Olives said. Limiting traffic would make the downtown more of a draw, he said.

City Councilman Roy Ingersoll said he'd like to see a "semi-mall" similar to the one in Salinas. The mall idea has been discussed by city officials for more than 25 years, Ingersoll said, but "the council never could get a consensus" to proceed with a project.

Another who is critical of city management is Mark Frederickson, who said he moved his Monterey Bay Co. clothing store out of Main Street because he was dissatisfied with the city's attitude toward downtown.

The downtown was getting stronger a few years ago, Frederickson said, "but we lost the momentum."

The city has been too quick to approve commercial development in other parts of the city, said Frederickson, who was opposed to approval of an addition to Watsonville Square shopping center two years ago.

"The piece of pie is only so big," said Frederickson. "You also see vacancies on Freedom Boulevard, and in Watsonville Square."

There are some vacancies in Watsonville shopping centers, but not as many as downtown, even though the rents are lower downtown. Shopping center rents run around \$1.10 per square foot; most downtown shops run from 45 to 80 cents a square foot.

Are rents too high?

Cal Watkins, manager of J.C. Penney on Main Street, said, "I think it (vacancy) is a serious problem." He said lowering rents would be one step toward a solution.

City Manager John Radin said the vacancy situation is "worrisome," but he is confident things will get better.

Radin thinks the city's economy will improve as more jobs are created in the city; he foresees 200 to 300 more jobs a year coming into the city.

Radin, who spearheaded the plan for the 200 block, acknowledges there's some risk involved in the project. Although no tenants have been signed, Radin said he and developer Barry Swenson aren't discouraged. It will be at least

a year before the project is ready, Radin said.

Sherrell Watson and Bill Burgstrom, commercial real estate agents with offices downtown, said the city goes in cycles of commercial and residential growth, and that things will balance out as more residential land is developed.

"I don't think we're in a crisis or a real difficult situation downtown," said Watson, an agent for Kane-Hall-Palm-tag and former manager of the Watsonville Chamber of Commerce.

Too much retail space

"With the new shopping centers, Watsonville has overbuilt on retail space," said Watson, who says the shift toward residential development has begun. "We're building quite a lot of residential capacity," he said, adding that space for retail growth is limited.

Burgstrom said, "You're continuously in different phases" of the cycle of residential and commercial development.

"You have to provide jobs first," he said, "then housing, then retail and commercial services."

Burgstrom remains optimistic about downtown.

"The general remodeling and investment reflect a good trend," he said. "You can rent for 50 cents a square foot."

"I think the rents in downtown are a bargain. The people who do a good job (with their businesses) still do well. You've got to be a good merchant. You have to earn the people's business. You have to do better than an average job."

Another who is optimistic about downtown is John McKenzie, who is renovating the Resetar Hotel with his partner, Jeff Smith. They completed renovation of 7,500 square feet of commercial space fronting the street on the first floor about six weeks ago.

A good response

The space rents for about 80 cents a square foot, McKenzie said, near the top of the range for downtown.

"The response has been good," said McKenzie, who said leases have been signed for a jewelry store and video-cassette store, which between them will take about 2,500 square feet. The shops are set to open next month.

McKenzie, whose firm renovated the Palomar Hotel in Santa Cruz and leases out 15,000 square feet of commercial space there, said it's much easier to lease in Santa Cruz

than Watsonville. All the space at the Palomar is leased.

But McKenzie is satisfied with the progress in leasing the Resetar.

"We feel we have something marketable," he said.

Dick Young, owner of Lazy Day Casuals for Men, said, "The reason some spots are not

being taken is because of the economy," noting that frozen food workers are making 17 percent less than they did two years ago.

When the economy is in a downturn, it's tougher to interest people in locating downtown, he said.

Young is critical of the city, which he said encouraged developments such as La Manzana and the Mansion House, both of which were foreclosed.

"They encouraged people to spend money that was lost," he said.

City Manager Radin responded that the city made no special efforts or spent any money to encourage La Manzana.

A crisis for landlords

Young said the vacancy situation "is a crisis for some landlords." He suggests that landlords of vacant stores give incentives, such as several months free rent, to entice renters.

Cecelia Cooper, who manages the four-story Lettunich Building at Main and East Beach streets, said a rent reduction of about 20 percent last fall has helped boost occupancy from just under half to a little over half.

But even with the current rents, making a profit in downtown buildings can be difficult, said Stewart Kett, who owns the Stoesser and Rogers buildings in the 300 block.

With many downtown spots going for 50 to 55 cents a square

foot, "it's questionable if there's a profit" for the landlord, Kett said.

One of Kett's properties, 331 Main St., was vacant for a year after Bonanza 88 moved out.

The store was a tough one to fill, because of its size (10,000 square feet), but Kett is pleased with the present tenant, the Family Bargain Center, which moved in about two years ago.

Catering to the clientele

Ruben Fuentes, a property manager for Kett, said a good business "is one that caters to the local clientele."

In the downtown, there's been a trend toward more Hispanic shoppers, Fuentes said, and the shops that have realized that have done well.

Ernestine Rodriguez, owner of Ernie's Lady Fair Shoppe, at 441 Main St., said the vacancy issue "is all due to the increase in rents."

Another clothing store

How La Manzana's trying to rebound

In the spring of 1985, the La Manzana complex of upscale shops and restaurants opened in downtown Watsonville with fanfare and high expectations.

Instead of becoming a drawing card, the center quickly became a revolving door for small shops.

By the summer of 1986, County Bank foreclosed on developer Manuel Santana and took over management of the center.

Since taking over, the bank has drastically cut rents and is working on improving the center's visibility.

"The center had no identity," said Robert Bixby, County Bank's vice president of corporate buildings.

It was difficult for somebody passing by on Main Street to see that there was something on the scale of La Manzana there, he said.

"We've gone a long way toward addressing that," Bixby said, noting that a large canopy and awnings, with the center's name, have been put up on Main Street, and other improvements have been made inside.

Under the previous management, rents were around \$1.15 a square foot.

"That was above market," said Bixby.

The bank lowered rents to 65 to 75 cents for retail space and 50 cents for office space.

A few shops left in the first few months after the bank took over in August, but nobody that's come in with the lower rents has left, Bixby said.

The retail shops are a jewelry store, ice cream shop, sporting goods store, deli, and the restaurant, which Santana operates as a tenant. A beauty parlor is scheduled to go in, Bixby said, which will leave the center with three vacant shops. There are still six offices yet to be rented, he said.

La Manzana "was a little ahead of its time," Bixby said. Santana had built it with the anticipation that the city would be redeveloping the downtown, but that didn't materialize in time.

The bank plans a promotional campaign for the center, but not until the occupancy rate is up a bit. Bixby expects that most of the trade will come from South County residents, although some promotion will be done outside the area.

"I'm optimistic," Bixby said. "There's nothing like La Manzana in Watsonville."

—Lane Wallace

owner, Helen Chavez, moved her Helen's Corner shop at the Resetar Hotel to less expensive quarters in the 500 block of Main Street.

Other business owners have closed or moved their shops when they've been unable to agree on new leases.

Rodriguez ran her store at Sudden Street and East Lake Avenue for 10 years before moving to Main Street two years ago.

"It's been a tough two years for the downtown," she said, but she doesn't regret making the move.

Since the strike ended, more people are shopping downtown, she said. "It's like a burden left" when the strike ended, she said.

Rodriguez said her clientele was nearly all Anglo at her old location; at the Main Street shop it's about half Hispanic.

More parking needed

One reason for moving to Main Street, Rodriguez said, was because she needed the parking.

There's parking in the lots behind Main Street shops, she said, "but we need permanent signs" to let out-of-towners know where the parking is.

Told of the lack of signs, City Manager Radin said some will be put up.

The city is about to close a deal to turn part of the Radcliff school property behind the 500 block of Main into more parking, Radin noted. That property should provide 130 more parking spaces.

Another boost for downtown parking, Radin said, is the switch of all one-hour parking meters to two hours, now under way.

Although there will be more spaces for shoppers, there's no plan to add all-day parking for people who work downtown.

Cooper, the Lettunich Building manager, said the lack of all-day parking makes it tough on her tenants.

Radin said there is no space to add all-day parking spaces in central downtown. There is space, he said, if people are willing to walk a couple of blocks.

Even the people who think the vacancy situation is a problem have said they're not going to quit on the downtown.

"It's not dead," said Olives. He says some of his enthusiasm for the area has been dampened by the city's lack of action, "but I'm still optimistic."

Watkins, manager at Penney, said business has been picking up in recent months. "I think 1987 will be a good year," he said.