

Is Santa Barbara's State Street

Finally Turning the Corner?

Or Will Downtown — and the Rest of City — Continue to Suffer?



by Tyler Hayden | Published August 8, 2019

I need a new couch. Nothing fancy, just a comfortable place to lie down and take a break from all this sitting. And sofas, like shoes and mattresses, are tricky to buy online. Better to find the right fit in person. So I tried shopping downtown. It didn't go well.

Santa Barbara has a handful of airy showrooms filled with beautiful fabrics, elegant designs, and \$5,000 couches. It also has thrift stores and a futon shop. But none carry quite what I'm looking for. "There's nothing in between," said Lars Kieler, owner of Habitat Home & Garden, a stylish but affordable San Luis Obispo-based furniture company trying to open a location on State Street. "You guys don't have anything like that here." He's right.

I'd like to give Kieler my business — and Santa Barbara my sales tax. But Kieler, like so many downtown retailers, finds himself trapped in the red-tape straitjacket of the city's Community Development Department. He's spent nearly 18 months

and a big chunk of his budget battling building officials over what started as a simple bathroom relocation in the property he's leasing at the corner of State and East Gutierrez Street.

Excessive nit-picking and repeated delays by inspectors, coupled with a well-intentioned but overwrought permitting process, could have easily killed his business before it began. "You'd think I was trying to build the Taj Mahal on top of downtown," Kieler said. "It's absolutely nuts." But Kieler is stubborn. While other retailers might have thrown up their hands and walked away with a loss — and there are many horror stories of that happening — he's determined to see the project through. "They'd have to drop me like a bull rhino to stop me," he said. "I don't roll over, especially not for this kind of shit, because it's a disservice."

Meanwhile, the big white building perched over downtown's entryway remains empty. Signs on its papered windows keep promising: Coming Soon! The same story is playing out up and down State Street, the city's economic engine that powers everything from our fire and police departments to our schools and parks. Its vacancy rate sits at nearly 13 percent, meaning one out of every seven or so storefronts is blacked out, a slight improvement over last summer's all-time high of 15 percent.

If Kieler can't open in the next few months, I'll have to take my business elsewhere. I'll drive up to S.L.O., down to Los Angeles, or buy online. It's a silly personal dilemma, I know, but it illustrates how money, community, and vitality are still slowly bleeding from State Street, four full years after vacancies began rising. It also underscores the intense, unabating frustration felt by brick-and-mortar merchants beaten up by the Internet and looking to their local leaders for a little bit of help.



Photo: **Paul Wellman**

Community Development Director George Buell, flanked by his lieutenants Andrew Stuffer and Renee Brooke, says the department is well aware of its issues and is working to resolve them. Critics say another consultant isn't the answer.

The Root of the Problem

Before any practical help can arrive, there needs to be an extensive overhaul of the city's lengthy, expensive, unpredictable permitting process. This overhaul would include a dramatic improvement in customer service. Applicants must begin to feel the city is working with them, not trying to throw the book at them. Then, and only then, can all the other grand plans for a downtown revival, especially the creation of new workforce housing, actually begin.

Joe Andrulaitis is an architect who has been practicing in Santa Barbara for 25 years. His firm designed the Santa Barbara Public Market, lower State Street's Loquita restaurant, and dozens of private homes. In 2018, Andrulaitis participated in the Downtown Economic Vitality Working Group convened by the city to make recommendations to revitalize State Street. The group came up with 20, including how to improve customer relations, develop faster over-the-counter permits, and so on. When the findings were presented to the council last spring, Andrulaitis was optimistic. He's since lost hope. Last week, during one more special City Council hearing on State Street, he didn't hide his anger.

"When my clients ask how long it will take [to obtain building permits], I let them know that this one-of-a-kind city, while beautiful, has the most difficult entitlement process in the entire country," he said. "Over the years, I've offered many solutions to improve the process, to no avail. I can't help but conclude the city is in a state of denial." Andrulaitis said it's unfair to just blame Amazon and the rise of online shopping: "This is a city problem that's left a self-inflicted wound on State Street."

Jarrett Gorin, a private land-use planner, didn't hold back either. He said while the council has shown a desire to take action, their momentum gets lost in the gyre of bureaucracy. "The inertia of the city's rank-and-file staff is a pretty formidable force to overcome," he said. Gorin acknowledged the difficulty in enacting a sea change across an entrenched workforce. "Your staff will complain. Your city administrator will get a lot of flak," he said. "It'll be painful for everyone. Most meaningful changes are painful. But these changes are worth it."

Community Development Director George Buell insisted he and his staff have received the message and are doing all in their power to fix what's wrong. They've posted an online customer-service survey and are hiring a \$75,000 workflow-efficiency consultant. He also talked about enforcing basic office policies, such as returning phone calls and emails. The department isn't full of malevolent people out looking for trouble. They're a talented, hardworking — and

often overworked — bunch committed to “integrity, excellence, and a beautifully built environment,” he said.

In a statement to the Independent, Buell expanded. “I am not looking to shift blame or responsibility for areas in which my department needs to improve upon,” he wrote. “That said, there are a couple things that can be done to foster a smooth permitting process: provide complete plans at initial submittal, and respond to all plan check corrections in subsequent submittals — even if there’s disagreement with the correction, we want to help resolve it!

“Also,” Buell went on, “it’s always helpful when communication with our mutual customers — residents and business and property owners — is open. Sometimes we receive direct customer inquiries about plan check status, and we are put in the uncomfortable position of having to explain that we are also waiting for plans to be picked up or returned.”

Buell mentioned in previous public hearings that if the city truly wants to revamp its entitlement process, it will have to dig into its charter and reexamine how the design review boards are structured. The Historic Landmarks Commission, for instance, has nine volunteer members, each with their own strong opinions and retirement hours to burn. Long meetings have contributed to delays, Buell noted. Newly ordered trainings for the review boards on their duties and purview will begin in September.

Outside influences can cost time and money, too. Reams of Public Records Act requests that City Hall agitator Anna Marie Gott has been submitting across all departments over the last three years require hundreds of staff time hours to fulfill. In 2018, she made 57 requests — 15 in June alone.

At the hearing last week, the council seemed just as anxious to see the planning issues solved. “This idea of being unfriendly to businesses — I kinda don’t ever want to hear about it again,” said Councilmember Kristen Sneddon. “I want it to just go away. I want it to be fixed yesterday, and I know we can do that.”

But for a growing group of exasperated stakeholders, the city’s current efforts may be too little, too late. Many are now exploring their legal options. When planning staff makes major errors or in other ways causes delays, project owners are stuck with mounting costs, while the responsible city planner suffers no repercussions. Where’s the accountability, they ask? Other cities at least try to make it up to you when they mess up. Santa Barbara does not.

After talking with many architects, contractors, and business owners, it became clear that not every staff planner is part of the problem. Plan checkers Lonnie Cassidy and Eric Swenumson are always described as friendly, on the ball, and mindful of their office's big-picture mission without getting bogged down by minutiae. But when asked who exasperates the problem, the same names continually were mentioned. Jaime Limón, a retired senior planner and member of the city's sign committee, recently added to the city's poor reputation when he threatened the new pub on lower State Street, Institution Ale, with a \$100-per-day fine because its indoor neon sign was not set 10 feet back from the front window.

It's these attitudes, critics say, that caused the original owners of Armada Wine & Beer Merchant, hidden in an off-street courtyard, to sell their business last year. They'd tried to point pedestrians in their direction with a sidewalk sandwich-board sign, but the city wouldn't allow it. Blue Owl restaurant's former owner reached her breaking point with the city during construction and also sold. The opening of the new Unity Shoppe location on State Street was held up for eight months because of a minor discrepancy over rebar placement. Another downtown project was put on the back burner for 30 days because a single plant was mislabeled in the blueprints. "You can't plant a tulip without pulling a permit," the applicant fumed. The list goes on.

And though these tensions have not disappeared, there are signs that City Hall is trying to improve. They've organized pop-up shops; reduced outdoor dining fees; allocated \$500,000 so the library plaza redesign finishes when the S.B Museum of Art reopens next year; earmarked \$100,000 to promote more tourism; and put on the hugely popular Experiment Weekend, when cars were blocked from lower State and hundreds of people strolled through the street, listening to live music, playing basketball and Ping-Pong, and visiting art galleries. Experiment Weekend was such a hit that officials are now figuring out how to have more temporary street closures and even considering allowing amplified music past 10 p.m.



Photo: **Paul Wellman**

Miramar Group partners Barrett Reed (right) and Joe Corazzo say it's time for property owners to step up. "The issue really lies with passive property owners who've had it easy forever," Reed said. "Now you have to be a little more creative."

Less Homeless Scapegoating

For a long time, the debate around State Street was dominated by complaints over homeless people. Store managers protested that aggressive panhandlers kept customers away. Last January, for instance, the owners of Sam's to Go considered opening their fourth sandwich shop at 609 State Street — between Night Lizard and the Levi's store — until they saw the number of transients that gathered nearby.

But more recently, even some of the harshest critics admit headway has been made. "It's definitely gotten better," said real estate broker Jason Jaeger. The clearest example of how the carrot is trumping the stick is the city's Downtown Ambassador Program. Rob Dayton, the city's transportation planning and parking director, employs 18 part-time civilians who act as the "eyes and ears" of State Street, patrolling from Sola Street to Cabrillo Street from 9 a.m. to 8 p.m. Called the "red shirts" because of their bright-red polo shirts, the ambassadors interact civilly with people, explain laws, and give warnings. They have a light touch, said Dayton, often distributing literature on homeless services and working closely with AmeriCorps and Home for Good, a county initiative that reconnects transients with their families.

While the ambassadors don't have the authority to write tickets or make arrests, they always have direct contact with police dispatchers. The program replaced the more heavy-handed and largely ineffective teams of "blue shirts" (community service officers) and "yellow shirts" (community service liaisons) administered by the S.B. Police Department. This Friday, at the height of Fiesta, two ambassadors spoke with an elderly couple panhandling in the 600 block with their small spotted dog. The conversation was brief but congenial, ending with a handshake and the husband promising to give the red shirts a five-star rating on Yelp.

In 2016, before the red shirts hit the streets, police made 1,425 transient-related arrests in the downtown corridor. In 2017, that figure dropped to 929, falling in 2018 to 711. So far this year, there have been only 263. Some of the credit also should go to the Santa Barbara Rescue Mission, which recently celebrated its \$12 million remodel and expansion on East Yanonali Street and which now includes 88 beds for men and 34 beds for women. The city also received a \$2.2 million state grant that's banded together a super group of outreach workers, Cottage Hospital clinicians, and restorative police officers to work with those who are most vulnerable.

Less effective has been City Hall's quiet rearranging and removal of State Street furniture, including benches and fountains. The transients who liked to perch on the tiled fountain in front of Hotel Santa Barbara now simply sit on the patch of dirt where it used to be. And Carrie Kelly, Downtown Santa Barbara's new director, also recently stressed to the City Council that business owners' number-one concern is still homelessness.

Honey vs. Vinegar

Barrett Reed is one of the very few voices in the business community that defends the city.

He and his business partner Joe Corazzo run the Miramar Group, the brokerage and development outfit behind The Waterline in the Funk Zone and the newly opened Kim's Service Department on State Street.

Reed said there's nothing wrong with the way the city vets permits. "We think the city's process is a good process." He called Community Development Director George Buell "exceedingly relational" and said Buell and his people are always willing to sit down and hash out an issue. Staff are bound by the bureaucracy they operate in, Reed insisted, and are not intentionally screwing with applicants.

Reed also emphasized that the "draconian laws" that get complained about most often are state, not local, and that the city tries to make the overall process easier. For instance, he said, staff recently suggested he hire a CASp (certified accessibility specialist) to help navigate the state's complicated disability laws. He did, and it worked. Reed admits there's room for improvement. "But if you're not doing things that the city recommends," he said, "and you're still complaining, that's insane."

Reed and Corazzo are now building out Los Arcos, a multi-tenant, food, drink, and retail project at 701 Anacapa Street, where Lost Horizon Bookstore and Pacific Crêpes used to be. They're also in the early stages of developing new housing on State Street, which nearly all stakeholders in the debate agree is critical to a revival. The units are slated to replace the Hoffmann Brat Haus restaurant in Paseo Nuevo. "The issue really lies with passive property owners who've had it easy forever," Reed summed up. "Now you have to be a little more creative."

On the opposite end of the city-working-relations spectrum is Jim Knell, founder and chair of the SIMA Corporation, one of the largest private holders of real estate in downtown Santa Barbara. Knell has a reputation for being openly antagonistic toward officials, from the mayor all the way down to rank-and-file staff. When an assistant city administrator floated the idea of reducing the size and prominence of “For Lease” signs and dressing up empty storefronts to reduce stretches of “dead zones,” Knell responded with a characteristically scathing email. “OMG, Are you people out of touch or just crazy!!!” he wrote. “The focus should be on ridding the streets of the panhandlers/homeless and getting rid of the city benches that they all use !!! To suggest that we remove Brokerage signs is LUDICRUS [sic].”



Photo: **Paul Wellman**

Hal Conklin and Todd Capps aren't fighting aliens. They're battling more formidable adversaries — bad bureaucracy and community division.

The Point People

Two weeks ago, a consultant released a report that strongly recommended Santa Barbara hire an economic development director. It was the same recommendation made two years ago by another paid survey. Most other cities of similar size have been benefiting from one after the state in 2012 abolished Redevelopment Agencies, which had provided funding and vision to keep urban centers vibrant. Santa Barbara's failure to fill the void, many critics feel, precipitated the current situation.

Though the City Council ultimately approved \$300,000 to create the position and start the hiring process, Councilmember Randy Rowse grumbled that the general job description sounded mushy and he was unclear on its “deliverables.”

Charlene Rosales, who originally hails from Santa Barbara, is San Luis Obispo’s economic development manager. She said her current day-to-day consists of negotiations over a potential public-private partnership between the city, county, and a developer for a parking structure at the northern end of their downtown; implementation of cannabis-based businesses into the city; the development of two major residential and commercial projects; and San Luis Obispo’s participation in the regional effort to close Diablo Canyon Power Plant. Ventura’s job description for its economic development manager covers similar duties.

Meanwhile, the new Downtown Santa Barbara leader Carrie Kelly is working hard to reestablish her 1,000-member organization as an effective voice at the table. She envisions turning the 400-600 blocks of State into some sort of Old Town district with wider sidewalks, improved lighting, and interactive displays that explain downtown’s rich history. An arcade-bar might be a good draw, she said. “Wouldn’t that be awesome?”

There’s also a new director, Stephanie Armstrong, at the Chamber of Commerce — another traditional booster for Santa Barbara business that’s felt oddly disconnected from the action for some time. She’s excited about opening a big new visitors’ center at 120 State Street in the Hotel Californian complex.

Sarah York Rubin, executive director of the Santa Barbara County Office of Arts & Culture, is firing on all cylinders to enliven State with public art. This August, her office will install Tiny Libraries up and down the street: bright, six-foot-tall punctuation-mark sculptures filled with books. Then, next April, Rubin hopes to snag a well-known sculpture by Tom Fruin, a UCSB alumnus whose work defines Brooklyn’s Dumbo waterfront district. A garden house made with a thousand scraps of recycled plexiglass and steel, it channels stained glass or a quilt, Rubin says, and is “Instagram gold.”

Softening Rents

Broker Michael Martz with Hayes Commercial Group said lease rates are “definitely softening” as the market slowly catches up to the vacancy rates. “Whereas an owner might have wanted \$4 [per square foot] in 2016, now they want \$3,” he said. The latest retail report only confirmed what “we’ve all been

talking about for three to four years,” Martz went on. “Especially the perception out there that the city is not business-friendly.” The much-touted Accelerate program, for instance, which was supposed to expedite downtown projects through the approval pipeline, didn’t make a dent. “If the city wants to see drastic improvements,” Martz said, “it needs to make drastic changes.”

| | VACANCY | ASKING RENT (SQ. FT./MO) |
|-----------------|---------|-----------------------------|
| SAN LUIS OBISPO | 1.0% | \$2.72 |
| VENTURA | 3.3% | \$1.95 |
| PASADENA | 5.3% | \$4.57 |
| SANTA MONICA | 5.9% | \$7.90 |
| PALM SPRINGS | 6.5% | \$2.92 |
| SANTA BARBARA | 10.3% | \$3.32 |

State Street’s vacancy rate is about 13 percent, but the overall downtown commercial rate, including side streets, is 10.3 percent. Here’s how our vacancy numbers and rent prices compare to the downtowns of other similarly sized cities.

Been There, Done That

Hal Conklin has seen this all before. He was the mayor in the 1980s, after all, when downtown was circling the drain and extreme action was both needed and taken. A coordinated, City Hall–led campaign brought together interests and residents from all four corners of the city that combined enough energy to build Paseo Nuevo and a bustling arts district. Palm Springs, then suffering from a dying downtown center, asked Conklin to come explain how Santa Barbara

succeeded. Thirty years later, Santa Barbara's World Business Academy invited Palm Springs leaders here to remind us how to do it again.

Conklin is now leading a nonprofit called the Santa Barbara Leadership Team that formed 11 months ago and now boasts more than 100 members, including property owners Richard Berti, Ray Mahboob, and Peter Lewis; business operators Neil Ablitt, Tina Tanaka, and Alison Hardey; Community Environmental Council leader Sigrid Wright; homeless advocate Jeff Shaffer; and public affairs operator John Davies, among others. "We all want change," said member Jason Jaeger. "Now we finally have the group that can achieve it."

Their overarching mission, Conklin explained, is to help guide the city back to being a facilitator, not an obstructer. No one is arguing we should alter Santa Barbara's character, but there's a way to both protect and progress, he said. "We need to create a culture of service."

Their initial recommendations to the city are ambitious but concrete. Don't just hire an economic development director in title only. Hire someone in a management position with real authority. Assign an employee in each city department as an ombudsman to help people through the permitting process. Create a one-stop shop for applicants. "In the end, people should view the city with pride as a trusted partner, not as an uncaring parent that results in our being in therapy for years to come," Conklin said. And finally, designate one to three blocks of downtown as a "Special Economic Revitalization Zone" for an experimental plan that includes mixed housing, street events, new businesses, and a pedestrian environment.

Conklin is also chair of the Lois & Walter Capps Project, which put on the Common Table event on State last fall. Getting that permitted was two months of pain, he said. It was so bad that the organization gave up trying one on Milpas. In contrast, their event in Carpinteria took a single meeting with the mayor and city administrator to receive that city's stamp of approval.



Photo: Paul Wellman/file photo

Of everyone on the council, Kristen Sneddon is the most insistent the Community Development Department rehab its customer service culture. And fast. "I want it to be fixed yesterday," she said.

How Santa Barbara City Council and staff react to advice from Conklin and others remains to be seen. If there's anything the business community has lost patience for, it's the "c-words," said Plum Goods owner Amy Cooper: "consultants and committees." And time is of the essence, reminded others. What if some global force intercedes before something is done? What happens if there's a fire or a recession?

Buell said the Community Development Department has put out a request for proposals for an efficient expert. City Administrator Paul Casey said the City Planning Commission will take up downtown housing discussions this fall. And City Attorney Ariel Calonne said his office has started recruiting for a land-use lawyer to help with streamlining. Calonne cautioned, however, "It's pretty easy to say, 'go streamline planning.'" Defining the reforms and actually getting them implemented is another matter. Calonne said it's not so much a technical task as a political one for the council and its appointed boards and commissions to lead on. The question is, as it's always been: "How do we write planning code that allows freedom while still preventing the destruction of our community heritage and environmental wealth?"

In the meantime, architect Joe Andrulaitis told the council, "One of our clients, Dioji, a local dog boarding shop, has been waiting 18 months for their permit. How do you expect businesses to succeed in such an environment?"

Gossip on the Street



Photo: **Paul Wellman**

Carrie Kelly, the new director of Downtown Santa Barbara, got a big round of applause with her recent comments to the council that were optimistic about the future but direct about the issues. “Our business community is excited but frustrated,” she said.

- 1.** The former Saks Fifth Avenue building on the corner of State and Carrillo is about to open as an Amazon office.
- 2.** Paseo Nuevo’s Pacific Retail Capital Partners, leaseholders of the empty Macy’s now being referred to as the Ortega Building, is quietly trying to lure the Apple Store to its first floor by offering millions of dollars’ worth of improvements, according to a source with knowledge of the proposed deal. Luxury theaters are reportedly being planned for the second and third floors.
- 3.** Michael Rosenfeld, owner of Hotel Californian, Chapala One, and the building that used to house Staples, is reportedly thinking about repurposing that latter large space with retail in front and housing in back.
- 4.** Though there is less retail on State, other businesses have moved in or are in the process of doing so: gyms and workout studios such as Killer B Fitness, the Rock Gym, and Fit Buddha, along with tech companies such as Sonos, LogicMonitor, and now Amazon.
- 5.** The three-story, 13,200-square-foot Scientology building in the 500 block is for sale for \$5.7 million. Institution Ale next door is planning a beer garden in the pedestrian space between the two properties.

6. Shuttered since 2015, the former Panera Bread building on the corner of State and Ortega has now been split in half. One side will soon be a 7-Eleven, and the property's manager, The Shopping Center Group, representing a Beverly Hills LLC, is reportedly only interested in leasing the other side to another national tenant.

7. Lee Scharfeld, who owns the building at 634 State Street, where the Tonic Nightclub used to be, lowered his rent 20 percent to entice the microbrewery M.Special Brewery to sign a lease. "You have to adjust rates so that potential businesses are viable," Scharfeld explained. "Some owners are just inflexible, though."

8. Perhaps State Street's deepest, darkest black hole is the old Esau's building, sandwiched on the 400 block between the Rainbow Foot Spa and the adult bookstore. Boarded up since 2006, it's owned by the last of the remaining Safina brothers, some of the toughest State Street landlords in memory. Bill Safina, 82, is "not gonna kill himself getting the place leased or sold," he said, "but we're gonna get to it soon."

9. Here are the new and renewed leases signed over the last two quarters, according to Hayes Commercial Group: House of Clues will bring an escape room to the Aaron Bros space at 601 State Street; Restoration Hardware decided to stay at 710 (bucking the narrative that national retailers are abandoning downtown); Apna Indian Cuisine took over Goa Taco at 718; the former Palazzio restaurant at 1026 is now Oppi'z Bistro; a new restaurant called Embermill will replace the long-empty Aldo's at 1031; Wendy Foster leased the Celadon location at 1224; Taqueria Santa Barbara is moving into the Jersey Mike's spot at 1213; and Ebikezzz, an electric bike store, is opening at 1345.

Join author Tyler Hayden as he dives further into this week's cover story with a panel of State Street experts on Wednesday, August 14, 5:30 p.m., at Night Lizard Brewing Company. Buy a pint, and \$1 goes to supporting our journalism.