New office tower gets underway in downtown San Jose

Office development could help banish downtown San Jose’s office tower drought

SAN JOSE — A new office tower has been launched in downtown San Jose by a veteran developer, a billion-dollar endeavor that is one of two projects that are poised to banish a decade-long drought for office high rises in the Bay Area’s largest city.

Jay Paul Co. has begun construction on an office high rise at 200 Park Ave. near South Almaden Boulevard, according to Phil Mahoney, an executive vice chairman with commercial real estate firm Newmark Knight Frank and one of the brokers who is scouting for tenants to lease the project.

“Construction on 200 Park is definitely underway,” Mahoney said.

Level 10, a general contractor that often does construction for Jay Paul Co., has bulldozed a small building and cleared away the resulting rubble at the site. An adjacent parking structure has been closed to vehicles and is also slated for demolition.

“This is great to hear and I’m sure Jay Paul will have good luck with this,” said Mark Ritchie, president of San Jose-based Ritchie Commercial, a real estate firm. “It’s pretty certain there will be demand for this project.”

The tower may be the right speculative project, being built by the right developer, in the view of Scott Knies, executive director of the San Jose Downtown Association. The cost of 200 Park, experts estimate, could wind up being $1 billion, including the purchase price, construction expenses, and financing.

“It was going to take a developer with the confidence to start a spec project like 200 Park Ave.,” Knies said. “I think it’s the right move for Jay Paul.”

A wide array of potential tech tenants have inquired about the tower, according to Mahoney. Downtown observers have speculated that Facebook and Amazon, which both are major tenants of Jay Paul in huge Sunnyvale campuses, are among the tech companies being enticed by downtown San Jose.
“The interest is across the board,” Mahoney said. “You have household names looking, as well as Silicon Valley startups that anticipate major growth.” Jay Paul Co. could accommodate a single huge tenant for 200 Park Ave. as well as multiple tenants for big chunks of space, Mahoney said.

Around the corner from 200 Park is another soaring high rise, one being constructed by Adobe, a cloud services behemoth. Adobe determined that it required much more office space to accommodate a robust surge in employee growth at its downtown San Jose headquarters campus. Adobe is expanding its existing three-tower complex by adding the striking new fourth tower on West San Fernando Street.

Before Adobe and Jay Paul Co. pushed forward with their respective projects, the last office high rise that was built in downtown San Jose was River Park Tower 2, which rose on West San Carlos Street in 2010.

And the Jay Paul project is markedly different from the Adobe tower, which is being built by the company that will occupy the space. Jay Paul’s endeavor also differs from a new mid-rise office building that Sobrato Organization developed, a project that Sobrato had pre-leased to Santa Clara County before starting construction.

“Downtown hasn’t seen a speculative office building since River Park 2,” Knies said.

A few blocks away, adding to the potential development boom, Google has proposed a transit-oriented community of office buildings, homes, shops, restaurants, cultural amenities, entertainment sites, and a hotel where the tech titan could employ 25,000 people near the Diridon train station.

“Jay Paul is delivering on the promise and potential of the next evolution of downtown,” said Bob Staedler, principal executive with Silicon Valley Synergy, a land-use consultancy. “The development of this site is a bellwether that more is to come.”

The gleaming high rise being built at 200 Park Ave. would total 800,000 square feet and emerge at a site across the street from CityView Plaza, a much larger property that Jay Paul also owns and intends to develop with multiple office towers totaling 3.4 million square feet.

All told, as many as four major projects are underway or being actively planned on or near Park Avenue. Museum Place, the Adobe fourth tower, the vast CityView Plaza redevelopment, and 200 Park bid to usher in jaw-dropping changes.

“Park Avenue will become the top address in Silicon Valley,” Knies said.

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