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City of San José Community and Economic Development Committee.

>> Councilmember Pyle: We're ready to begin with the review and call to order. I believe we have a quorum. In reference to the work plan, are you filling in to Paul Krutko?

>> He's stuck in traffic, back in Oakland.

>> Councilmember Pyle: Okay. Hi.

>> There's no changes that I'm aware of.

>> Councilmember Pyle: And in reference to today's work plan, item number 2.1 and 2.2 have been deferred. And with that, I would need an approval for the remainder of the agenda.

>> Motion for approval.

>> Councilmember Pyle: Second. All in favor, no denials, that passes. So we're moving on now to -- unless you had something you wanted to say we're going to go right on to the reports to committee, consent calendar. What have we got here? Sidewalk cafe, should be first, and I think you might have some words to say about that, Sam.

>> Councilmember Liccardo: No, I don't.

>> Councilmember Pyle: So let's move on to 3.2, the sidewalk cafe update.

>> All right, thank you, Madam Chair, Darryl Boyd from planning division and I have with me today Lee butler who will help me with the presentation. As indicated on the agenda, we're here to provide a status report as directed, when the changes to the sidewalk cafe changes of the zoning code were amended, earlier this year, and so we've got a staff report that goes through some of the highlights and Lee's going to reiterate some of those for you. Also, you'll find attached to your staff report a copy of a map that shows where the various sidewalk cafe permits to date have been approved downtown. And then also for your information, we've attached a copy of a recent sidewalk cafe permit so that you can see what the typical standard conditions are that we've been imposing on these to help give you some peace of mind there. So with that I'm going to let Lee go through some of the highlights of the memo.

>> Thank you, Darryl. Lee butler with planning here. As Darryl mentioned council adopted some new provisions back in April of last year and they became effective May 30th of '08. The major points from those updates included the allowance of businesses downtown that have an entertainment permit that's been issued by the police. Previously, those businesses could not have a sidewalk cafe, and the new ordinance allows them to have a sidewalk cafe. The next provision that was modified, the next major provision that was modified allowed those businesses with a sidewalk cafe permit to remain open until 2:00 a.m. assuming that they were allowed to -- assuming that the host business was allowed to remain open until 2:00 a.m. As part of the council recommendations, there was a requirement for those permits that took advantage of the new provisions, the 2:00 a.m. provision and the entertainment permit provision, that those expire after 18 months. So the results of the program have been positive thus far. We've had 13 approvals since the new provisions were adopted, and we have seven others that are now pending, several more came in last week after the amendment was issued. And with these sidewalk cafe permits, the ordinance allows us to revoke them at any time for any reason, administratively. There's no easement grant, there is no easement granted as part of the permit approval. And there does not need to be any specific reason. The director of planning can issue a letter and revoke that license at any time. Therefore, staff is recommending that the direction that council gave to have the program and the permits benefiting from the new conditions expire, we're recommending that the -- that that be revised and that the recommendation for the expiration be rescinded. And this concludes staff report.

>> Thank you, Madam Chair. The only thing I would add is staff would also recommend that we come back, we could come back to the committee in another six months or so, if you thought that was appropriate to give you a further update on operations and so forth. Because many of these haven't been up and operating that long, and as Lee indicated, we're getting more applications so we could come back at a future date and have more staff report, if you would like.

>> Councilmember Pyle: I think that would be acceptable. Sam.

>> Councilmember Liccardo: Thank you, Madam Chair. First of all, it's wonderful to see things working so well. Thank you Darryl and Lee and Carol for all your work on this. This was a provision that we had bringing people out to the sidewalks and the streets. That will be great for the downtown. One question I had, one was I recall, I don't have the memo in front of me but I thought that there was some explicit requirement we were going to impose regard to occupancy in the outdoors where we're granting the permits. And when I looked through the model permit here I understand it's extreme peaces, because it is a drinking establishment. There's only a maximum of 20 chairs but didn't say how many people. And the only reason I raised it is this: I know that a lot of these sidewalk permits may be granted around some of

our high rise developments where some people maybe concerned about noise. And certainly the police expressed concern about bringing the bar out in the street. To be honest, my concern was about noise and how many people were out there and how that might impact residents and moving into what is increasingly becoming a residential part of our city. Are we imposing occupancy requirements now?

>> We are imposing occupancy requirements. In fact, there is a condition, it's number 7 in the draft permit, that was provided to you as an attachment that indicates the permitting must comply with the building occupancy as determined by the fire department and the maximum number of persons allowed to occupy the sidewalk cafe area shall be limited to the maximum number of seats in the sidewalk area in be accordance to the plans.

>> Councilmember Liccardo: I might be looking at another permit. You're talking about condition number 7?

>> That would be page 3 of 5, Madam Chair, at the bottom.

>> Councilmember Liccardo: Okay, I see, there it is, thank you very much. I completely missed that. Thank you very much, Lee.

>> No problem.

>> Councilmember Liccardo: Appreciate that. The only other question I had was with regard to the ability to revoke at any time, I would just assume that there would be some kind of property interest of some sort that would be attached here, and then they'd have hearings and all that kind of stuff.

>> There is no property interest attached.

>> Councilmember Liccardo: None at all, okay, great, thank you.

>> Councilmember Pyle: Okay, I'm sorry. Yes.

>> Councilmember Kalra: Thank you, chair. In regards to -- I also -- I want to concur with Councilmember Liccardo. I think that this is a good opportunity for us to increase activity downtown. And a couple of the questions or comments I had: One is in regards to the -- in the analysis, it refers to -- it mentions that in response to the concerns, standard condition about cafe permits, no sidewalk cafe may function as a drink establishment. And then further on in that same paragraph it discusses maintaining the food service throughout the duration of the hours of operation. And then no amplified music. These are going to establishments with entertainment licenses. Is that really speaking to the fact that food needs to be served during all hours of operation?

>> That is speaking to that fact. And it also addresses the license type from the Department of Alcoholic beverage control that the permittee is required to have. They must be licensed as a bona fide public eating establishment. 50% of sales revenue coming from alcohol versus food.

>> Councilmember Kalra: And what if any requirements are there for the barriers between the establishment and the sidewalk?

>> Typically we do have movable barriers that are approved as part of this. And with drink establishments, that is something that we look at. And so even though something may be operating as a drinking establishment under the zoning code title XX, they could still have a sidewalk cafe because some of the patrons that come in there could be served a beverage without having the food service. So any time there's alcohol involved we look at delineating the sidewalk from the public right-of-way, restaurants versus subway that they're not having any alcohol sales, they wouldn't necessarily be required to have a separator, although they could if they propose to.

>> Councilmember Kalra: And my main concern, in terms of what we're trying to achieve in termination of creating activity downtown particularly some of the businesses is the manner in which the delineation occurs. I understand subway, you've got tables and chairs out there, yogurt shop, same thing. Drinking establishment in August, we literally need more concrete rules. Some of the barriers become like walls. They kind of defeat the purpose, having a sidewalk cafe, the idea of having an open atmosphere. So I think my comment is trying to find a way to balance the needs -- the legitimate concern that the police department has of creating a very obvious, objective barrier, for the purpose of make sure that people that are in the patio are not coming from the outside, but going through some kind of security check for their I.D. And also, you know, just to make sure it's clear who's in and who's out but not to the extent that it's clear whereas extending a wall from the establishment, it's open air. I think the success of the sidewalk cafe is that I can believe we've asked here and what we've seen in the other cities is the open aspect of it. So to make it in a way that truly creates an environment that allows this concept to be cessionary.

>> I think Madam Chair we hear sort of an urban design question or issue really, that however, whatever the barrier is that separates the establishment from the public thoroughfare, that it be done in such a way that it's not overly solid, that it's -- it's open, and doesn't create too much of a wall effect, if you will.

>> Councilmember Kalra: Yeah, and I think people think about it being a sidewalk cafe, they want to see the traffic going by, the people walking by. We have pizza places and establishments, restaurants that serve alcohol or not, creating energy of people out and about, eating and drinking coffee, that is kind of what my vision is when -- from the Planning Commission, this concept came before us, I'm certainly supportive of it, I'm supportive of it 90. That's the kind of division that I would be most supportive of.

>> Paul Krutko: Councilmember, I think I have a visual idea of what the councilmember is speaking to. Let's look at Santana Row as comparison to the downtown. In many of the Santana Row establishments you sort of have the tables on either side of the sidewalk area. Right? And so I'm just -- I'm asking a question, I don't have an answer in mind. How is that how is that regulation versus what we are trying to accomplish in downtown? Because that does have -- you know, you walk right through the area where the food is being served, versus the notion in some of the establishments we have downtown, you go in one establishment, you go out another door and in another enclosed area. Is it the difference between owning all the real estate, is that the principal difference?

>> Madam Chair, yes. I think it's the difference between say private streets and public streets. Because on the public streets downtown, we're required to leave a certain amount of area open for pedestrians to pass by. So that's really essentially --

>> Paul Krutko: In the model I just described, it's a part of our overall approval of those private streets, and what federal is doing that said, that's an okay approach.

>> Yes. Different set of circumstances.

>> Councilmember Kalra: And also if I could just -- I understand the private-public, and I also agree with some of the concerns of the police department, too, that that kind of model won't work downtown, anyway. And so there's -- you certainly want an entry point, one and only one entry point in and out of the establishments and then create as much as possible the open sidewalk cafe areas. And so it would be nice if we could create a more open environment. But I think there would be security concerns if we tried to go beyond -- go to what Santana Row does have, on the sidewalks of downtown, we clearly have to be more cognizant of the right-of-way though.

>> Paul Krutko: Let me ask Ed, though, is part of what we're sort of trying to balance here, I'm interested in the topic that's why I'm raising it, is the liability issue? Because I think we all -- and I personally have enjoyed them many, many times and I'm sure, chairman Pyle has, as well, the European cafe environment.

>> Councilmember Pyle: Yes.

>> Paul Krutko: Which I think is, they have a completely different concept of liability, I think, under the way their legal system is set up, so that if you get drunk and you step off the curb and get hit by a car, you get hit -- it's not the establishment or the city's fault. It has a lot to do with the way we're structured from liability for the public right-of-way and those other things.

>> Right. It also has to do with the fact that you want to control where alcoholic beverages are consumed. It's clear, if you have no barriers then clearly you open up the whole sidewalk for drinking. So I think it serves that particular purpose as opposed to where you don't have alcohol, you have tables, and people can stand up and people can walk around because you don't need to control the alcohol consumption on the public right-of-way.

>> Councilmember Pyle: Sam --

>> Councilmember Kalra: I'm sorry, I wanted to follow up.

>> Councilmember Pyle: Sure.

>> Councilmember Kalra: With the outside area there, but that was also concerned, just to make sure you have a clear delineation of where you can drink and where you can't. Even though that's all private property, the nature of that establishment was different than the establishments Santana Row. I think just having a physical visual that creates that barrier is relevant.

>> Paul Krutko: Could we describe, Darryl described it accurately as a kind of urban design question. Are there examples right now that you think are getting to what you'd like to see?

>> First of all maybe you don't --

>> Paul Krutko: I'd rather have them tell me what they'd like.

>> Councilmember Liccardo: This debate is really about the height of the barrier. If I might, Councilmember Kalra, I get the sense that his concern is that -- you know, I know that Tres Gringos and

Sensei bar and grill, there's a tinted window of some kind. Is that our vision of a barrier that people can actually see everything on the street if we really want eyes on the street. I don't pretend to know what that height is or legislate what that high is. But should we bring it down to five feet?

>> Paul Krutko: The question from Darryl is what should we require in that setting? I'ming this McCormick and Schmick answer -- Schmick's, the grill across from that, we've actually approved that. We probably didn't require it to be nine feet.

>> I actually don't know the particulars of that. I don't know if Lee does.

>> I don't know the specifics to that. If something came before us at nine or ten feet we would certainly be cautious about approving that. Typically we'd want these to be movable so that they can be taken in once the business is closed, or once the sidewalk cafe function is terminated.

>> Councilmember Pyle: Were you finished?

>> Paul Krutko: Yes.

>> Councilmember Kalra: Thank you, Madam Chair. As Councilmember Liccardo was saying, that's not exactly the vision of an open cafe atmosphere. My sense is that was done, just to make sure any question by the police department was answered. People walking in over or under the barrier. Now, I think that's -- and so that was being extra cautious. We don't -- I don't believe we want to go nine direction. Frankly, some of the examples referred to, some of the examples in McCormick and Schmick's, that's a nice environment. I think Britannia arms has a little higher than waist high that has awning around it. So you know, if somebody tries to drink, if you want to see somebody who drinks, it's a little more visibility. There's a way around it where you could keep an open example. There is one example, I don't think we should dictate that one example, but having a bite to eat and looking and actually seeing the streetscape I think is a good start to kind of just visualize.

>> That's something certainly we can pay more attention to as we review these we've got pending now.

>> Councilmember Kalra: Great, thank you.

>> Councilmember Pyle: Any further questions? Are there any members of the audience that wish to speak to this issue? Seeing none, this is an update, no vote needs to be taken.

>> Actually, there's a recommendation on there.

>> Again, just to reiterate, chair, we were -- to the extent there was an intent when the council initially adopted these provisions that there be a definite 18-month termination of the program. Staff is recommending that that -- we dispense with that or recommend that you dispense with that. Because again we do have the ability to revoke these permits at will, and so it really seemed unnecessary, in staff's viewpoint. But on the other hand, like we had said we're certainly willing to come back and provide a status update at some point if you'd like.

>> Councilmember Liccardo: Motion approved.

>> Did we move --

>> Councilmember Pyle: He just did.

>> Paul Krutko: Darryl, is there a fee attached to the entertainment, to this sidewalk cafe permit?

>> Yes, there is, uh-huh.

>> Paul Krutko: So is -- whatever we bring forward to council, as a cross -- reference, we probably need to reference the schedule of the fees.

>> The fee schedule, certainly we can do that. We can add that.

>> Paul Krutko: What is worrying me is we allow them all to continue and we don't have them come in.

>> Yes.

>> Councilmember Pyle: First and second. All those in favor, opposed, that passes. Development service business model review. Welcome, Katy and Tim.

>> Katy Allen: Good afternoon. Madam Chair members of the committee, Katy Allen, and with me is Tim Borden. This is our final report to the committee, and we want to go over where we were in the business development. At this time of economic challenges in the development communities, you ask yourselves why are we doing that? I'd say there's probably no better time. Over the years we've had a very good model, it's worked very well, and I appreciate the relationship that we have with our development partners. But what we came to realize is we had a business model that didn't work. In other words, what we were staffed at, the fees we were collecting and the services we were providing were at a sync. We went through the business model and want to go over the high points. This committee won't be seeing it again. We willing including a recommendation in our fees and charges that will be coming forward in the budget season charges hearings in May and June time frame. So with that, Tim, do you want to go to the second slide? Very quickly, it's always nice when you do a review of your business practices, and what

you get back are common sense suggestions. And that's pretty much what we have here. First is partnership and accountability to project schedules. And the way that I'd like to describe this is when a developer comes in, we can make a guarantee, and when they bring their project in, we get a guarantee from them, as well. So there's an agreement as to what the project schedules are going to be. And some of that responsibility is borne by the developer and some is borne by us. That came out in our business service model review. And then increased predictability. No one like surprises whether it's city staff or a developer. They don't like last-minute changes, they don't like to find out after they get so far into the project that maybe it's not even feasible. What we would want to do to increase predictability is have more information on the front end, have more information on line. And just have that business sense of what we require, why we require it and when it's appropriate. So it's that predictability element. Then equity in fees. We have for many years and it worked okay, we had for many years valued our fees based on the cost of the improvement. If you have a lot of projects that built a lot of infrastructure, fees high and they help us sustain our staffing levels because we are in the cost recovery business when it comes to development. What's happened, though, is development has changed. A lot of infill, a lot of staff time, coordinating with very tight footprints, if you will, where they're not building streets and they're not building suers, they're actually trying to do infill development. Those projects can be more staff intensive than you can imagine. We want to have equity in fees and staff at a level that can provide the service based on the hours it takes to do the work rather than the cost or the evaluation of the improvement. And finally I touched on this a little bit more, consistency in early decision making. The development committee was very complimentary in our ability to facilitate problem solving. However they really wanted to have decisions made more quickly, we can understand that. And primary -- primarily what I wanted to close and turn it over to Tim, is our staff need to be more involved rather than less involved. Senior staff tend to rotate a lot. What we wanted to do is include our senior staff so it's more consistent and timely. With that I'll turn it over to Tim.

>> Thank you, Katy. We described that to some detail in October. So again just keeping this quick and going over the schedule moving -- forward. Just one reminder. This is two studies in one, if you will, what we've done in the past is look at our cost on an annual basis and come forward with fee adjustments to our development community. Our business model, the services, menu of services that we provide and then, and only then when we have could be occurrence between us and the development industry do we start attaching a fee schedule on that to support those services. So I think that that was just a key element on the -- really the approach going into this, that fees were really the last thing, and that's how you're going to be able to deliver the services that everyone wants. So again, participation in this, all along we've had representation from the chamber of commerce and the home builders association, focus groups, surveys, problem identification, and now we're currently reviewing our draft reports. We have the development industry group much like the development round table for planning, that has weighed into the process, things that they want improved, things they're happy with. Internal stakeholders, we've had every member of our Public Works development and services staff interviewed. We've also had members from Planning, Building, and Code Enforcement, office of economic development, and the manager's office all involved in the interview process. The city attorney's office as well and the RDA. Benchmarking has been a key element of the review as well, the matrix group which is our consultant has done this very specific study locally and nationwide. So they bring forward a good array of best management practices and ways to streamline our current practices. And there's also benchmarking against mostly local jurisdictions on performance and cost of services. To make sure that -- to see where we're standing right now, and then also make sure that their recommendation still fit in, and are competitive on both the level of services and the cost. So in closing really, in general, here, the commitment is to find solutions, that best meet the needs of the community. We want a business model that relates services to fees, not the value of the improvements like Katy suggested that we have now. We want to be predict annal, flex and scalable. If it's there we need to quickly scale up and support those services. Also, want to take this opportunity to give thanks and appreciation, to our steering committee. Like I said, was members of the home builders association, the chamber of commerce and our own staff. And then, the next step will be coming forward to council on June 23rd, with the fees and charges report, that hopefully has a schedule of fees that support services that everybody can get behind and you'll have recommendations to that effect. Thank you, and we're open for questions.

>> Councilmember Pyle: Questions? Rose?

>> Councilmember Herrera: I'm very pleased to see this. I wasn't here in October to hear the original part of this. I have a different input from the development community and other members of the

community, that this area needs to be dealt with. Hats off to you and the stakeholder group to bring this forward. I am just wondering with the budget situation we're in and with staffing, you have to do more with less, do I see any challenges there in trying to apply experience in the kind of staffing, things you're talking about doing? In this budget situation?

>> Yes, I'll take a shot at that, absolutely and that's a very good point. So when we started this study, things were starting to get bad. And then of course the economy kept getting worse and worse. We forged forward, like Katy said, it seemed like this was the best time to do it. But now we have a model that I think everyone can agree is kind of the master plan that we want to push towards. It may well be that we end up at this point of phasing in the services and the fees to get there. And that will be really our next conversation with our stakeholders. So again, we don't want to put blinders to the economy, but then, we don't want to have a master plan organization services to shoot for. So what we may come forward is a phased approach, one and two years.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Thank you. I do agree with what Councilmember Herrera had to say. I think the timing is, predictability is important, what's happening globally with budget situations around the world, there is already a lack of predictability. One thing I've heard, all of us have heard from developers out in the community, is a lack of predictability in their industry really really hurts. I think it hurts all business people but when you are talking about the sum of the money, you're trying to organize a workforce, obviously, predictability is critical in that area. In terms of time line, I was looking, it says, right now you're still in the first phase of actually kind of hammering down the details of the proposal. And so when is March, is next month, is that when you'll be completed by, next month, on time as far as the regional time line?

>> Yeah, we believe we will. In fact just this morning we got the second draft of the report that incorporated our first round comments from the steering committee and our focus groups. We feel we will be wrapping up the report itself very shortly in the last week or two. The fee portion of that has overland, and they are supposed to be giving us our first shot at the fee study that we'll be giving out to the steering committee by next week. So we feel that we're on good track to be able to come in order by the April-May time frame into the budget study sessions, and fees and charges.

>> Councilmember Kalra: In terms of the equity in fees, the concept of relating services to fees rather than the terms of the project size, obviously there's going to be some sense of equity in that in the amount of the project. But I understand that the service required could be varied. And certain services may just have greater expense even if the project is smaller. But what is this sense of balancing to the extent that you know, at the same time if a project is smaller but there's a larger fee associated with one of the services of creating that one balancing act of not putting the project in general plan, rather than the product or service. I might be confused in the way I'm describing it but do you get what I am saying?

>> We do. We do want to recover our cost however we are looking at the streamlining that we're doing, trying to make decision quickly so we don't spend a lot of time and money mulling over them and also, making sure we don't make them overly complex. So on smaller project simplify them, streamline them so you can recover your cost and it's still competitive.

>> Councilmember Kalra: The underlying goal is certainly to streamline, in doing the change and how the fees are established, that it's not to change the amount of the fees but just in how the fees are being recovered.

>> Correct.

>> Councilmember Kalra: So it covers our cost at the end of the day?

>> Yes.

>> Councilmember Kalra: Thank you.

>> Councilmember Herrera: Some of the fees, when they are competitive, you could cost those and have a fee and have them reproducible by not necessarily having the senior staff which would lower the cost, too?

>> It gets into some of the details, and that's a very good point. So projects that are simple, that are very straightforward, the project manager will be a less experienced staff that manages it just fine. And we're not putting more expense into that process. So yes, that's an excellent point.

>> Councilmember Pyle: Sam? I'd like to compliment you on this fine work, as well. And say at the beginning, do you use some kind of a checklist that people are aware of, one that they can literally check off?

>> Basically, we've had anything that comes over the counter, we've taken it in and that goes back to the equity. The people that get it right are kind of penalized. For those who don't give the checks in the middle. Checklists are a big part of it.

>> Councilmember Pyle: Great. And this is your final appearance at this committee. So this -- are we going to rotate to send it on.

>> Councilmember Herrera: Motion to approve.

>> Mayor Reed: And all those in favor? No denial. So it is a go. Thank you very much. Appreciate it. And we're ready to move on now to the Mexican heritage plaza steering committee. I did forget to ask if anyone wanted to speak to the last item. Joe, are you being funny? Your crew did such a good job, and they left you out. Great, okay. Thank you. Glad to see you. I don't know if you want me to do this at the beginning or at that time end but I've been asked to make an announcement.

>> It is up to you.

>> Councilmember Pyle: I can't wait, I'm so excited. Well, I would like to tell you that Sr. David Figueroa, who is the consul general of Mexico has accepted to become the liaison for the Mexican heritage plaza. Also, to provide the committee with invaluable information as well as bridge a gap to the rich culture and heritage of Mexico. So with that, I just want to say kudos for getting Daniel Figueroa on board.

>> Yes, we're very pleased. I'm Peter Jensen, director of general services. Joined by Elisa Echeverria, and Kim Walesh the the strategist of the city.

>> Good afternoon, Madam Chair, council members. Thank you for allowing me to present an update on the Mexican heritage museum. I'm Elisa Echeverria. First of all, the committee, the community engagement aspect of the steering committee process. So as you know, we have a final composition of the steering committee. And that was completed with the appointment by the city council at the January 27th council meeting. The final three members of the steering committee are Roy Hirabayashi, executive director of San José Taiko, Connie Martinez, and Olivia Mendiola, executive director of MACSA. A complete list of all 13 steering committee members is available on the plaza's Website which is most easily accessed from the City's home page. So moving along, on a report of the facilitator selection and fundraising, reported in the memo to your committee, the foundation and the city staff have been work since December on a recruitment process for the facilitator. And the Hispanic foundation and their partnership with the city released a letter of interest request. And that was a request that was seeking individuals with skill sets in arts and cultural programming as well as group facilitation. The letter of interest request yielded three proposals. We came together as a partnership between the Hispanic foundation, created a panel to review those proposals, and we interviewed all three of the candidates. After consideration of the skill sets we were looking for, as well as relevant, reasoned experience in these sorts of task force and also reference-checking we do have a leading contender for the faster. And really it's a lead on the Hispanic foundation's part they have agreed to go out and seek funding to compensate the facilitator. We're moving forward with that, we're optimistic. We have positive direction from the community that they will support this process. Specifically the Castellano foundation and the Hispanic foundation. The MHP steering committee meetings, the committee should be aware, that they will be publicly noticed and open to the public according to the Brown Act. And just like to comment that the city staff, we continue to be very committed to keeping this an open process to the community. As you know from the early phases of the transition process. There was a lot of community interest in the future of the plaza. So we want to maintain, you know, keep the community informed and keep them engaged in this process. The only other thing that I would add is that the city attorney's office has offered to provide a Brown Act training to our steering committee and to the new facilitator, so that will be one of the first activities of the steering committee when they get started. So that concludes my update.

>> Councilmember Pyle: Great, thank you very much. Are there questions? Rose.

>> Councilmember Liccardo: The first thing we do with this committee is we throw them to the lawyers, huh? What a reward. [Laughter]

>> Councilmember Pyle: Are there any members of the audience wishing to speak to this item? Okay, with that, then, motion to approve.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All those in favor? Aye. That is deemed done. Thank you for all you're doing. Okay, we're ready to move on to 3.5 which is our sign ordinance. So that is another update. And we are ready. Welcome, Andrew.

>> Andrew Crabtree: Thank you. I'm Andrew Crabtree from the planning division. And with me is Carol Hamilton who will -- also from planning division who will be giving an update on the City's sign ordinance update.

>> Carol Hamilton: Thank you. The city council has asked us to conduct an update of the sign ordinance, and has provided funding in this year's budget to support consultant staff to assist us. The last fundamental update of the City's sign ordinance occurred in 1992. Over the past 17 years, we've seen numerous incremental changes to the sign code but these have been very narrowly focused and there has been no really fundamental look at the extent to which the sign regulations support the City's current objectives. And that is primary focus of this update, is to determine what levels of signage, what types of signage, would be appropriate to support the City's goals for economic development in urban design. Because of time and budget constraints, we are going to focus the update on what we consider to be the most critical signage regulations, and those are those that apply to the downtown, and to the commercial and industrial areas of the city. We hope to engage a wide range of stakeholders, including community residents, in the sign code update, so that we have a very public discussion of what levels and types of signage are appropriate in San José. And because of the many incremental changes to the sign code, it is very complex and difficult to understand, to negotiate. And we're hoping through this process to provide some improvement in the clarity of the signage regulation so that the small business person who wants to put up a sign can actually figure out what they can do without having the need of a consultant. Some of the key issues that we will be addressing and this is not the complete list, include the extent to which billboards should be allowed in the downtown, how and what manner should those be displayed, whether we need to make changes to the roof and skyline signs regulations of the code, whether to allow advertising on news racks in the public right-of-way, electronic signs are another key issue, our sign code calls those programmable displays, and should what extent should those be allowed to be displayed in the city. The city has a great interest in art displays especially in the downtown, and we want to make sure that the regulations allow the types of displays that the city is allowed to have. And then frankly, freeway displays, to what extent are retail centers allowed, that are not currently allowed and oriented to the freeway, it is another issue that will be addressed. We will be going out to the community to find out if there are additional signage issues, and so this list is just one that's a work in progress. We have recently executed a contract with PNC, a land use consulting firm that will be providing the primary consulting services for the sign code update. They are beginning to work on best practices assessment, which involves looking at which other cities have recently updated their sign codes, what kind of regulations have they used, what kind of data have they collected that might be useful to us so that we have a real good basis for starting with looking at our regulations. Between March and June, we hope to go out to the public for community outreach on the topic of the sign code update, in three phases. The first phase will be a discussion of what signage issues should be addressed and we'll also be providing some education regarding basic signage terms so that we're all talking about the same thing. In phase 2 we hope to identify signage preferences and will be actually using visual preference survey material so that we allow people to tell us what types of signage and what levels of signage they like and which they don't. And then the third phase, we will use the visual preference materials to develop alternative signage strategies, and seek input from the community, regarding a preferred signage strategy. And then finally, in August and September, we will be bringing forth a recommended signage strategy to the -- to this committee and to the city council. The community outreach will involve both community meetings which will address community at large, and focus groups that will be more in-depth discussion with small groups of stakeholders. We will include a focus group that has representatives from both industrial and commercial businesses, both large and small, we will be holding a focus group that will address members of the sign industry, representatives of the billboard industry, the sign designers and fabricators that actually work with us on a daily basis and the California sign association. And then we will have one focus group that will include community residents who are really the audience for signs, and so that we have broad recognition. This concludes the staff presentation and we're available to answer questions.

>> Councilmember Herrera: Thank you, chair. Is the focus of this primarily as a result of or focused on downtown or citywide?

>> I think that the downtown is the first priority. But I think that we recognize that some of the same issues are citywide issues for commercial industrial areas. So we will be looking at the signage regulations for commercial industrial development both in the downtown and citywide. I think the downtown is clearly where the most intense level of signage is appropriate. But there clearly, we've gotten indications that there are needs to change signage requirements for other types of development in other areas of the city, as well.

>> Councilmember Herrera: And in our district, and I represent District 8, there was a request, and I don't know all the details that happened here. So I don't know any -- I'm more or less make a comment or observation right now. There was a request to do a gateway sign, a substantial gateway sign. And so that's been one of the interests out there. In terms of letting -- demarkating a retail area. So I don't know if that's on your list of kind of looking at those things in terms of a neighborhood signage issue. The other issue that is happening in our district is, in absence of those gateway signs, there are residence and businesses that are look to put up temporary signs. And I'm not sure how that would come under your classification. But kind of the need to do something on a more immediate basis, as we solve more of the long term or more long range solution for the signage issue.

>> As far as the temporary sign issue goes, we do have fairly extensive provisions in the sign code for temporary signs. That will not be the focus of this update. But to the extent that we're able to make some improvements in those regulations that maybe a possibility.

>> Councilmember Pyle: Any other questions?

>> Councilmember Herrera: I just -- I think this is a really -- it is very timely. I think there's a lot of confusion about signs, about signage and what signing requirements are and what you can do with signs. I just think there seems to be confusion among the business community about that. So I think this will be very helpful to work through this.

>> Joe Horwedel: Sorry. I'll add a little bit of clarity. As part of the community identification signs, there is regulation already available that would allow for the that. But to deal with the legal piece that goes along with that, we have updated the temporary signs, the banner signs in the city and we did that about a year and a half ago that allowed larger banner signs to happen. But put more enforcement into it so they don't stay up there for a year and kind of fall apart so we tried accommodate that also.

>> Councilmember Herrera: Since you brought that up, I recall at those meetings is what had been expressed there had been change that allowed the gateway signs to occur. Is that part of this whole process now?

>> Joe Horwedel: It's there, it's available, that process already exists.

>> Councilmember Herrera: Okay, it was represented that there had been some change.

>> And typically there have been two to three changes in the sign code per year. It's very much a document that's actively updated.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: Thank you, Madam Chair. If we go back to the goals -- not the goals, the key issues slide, the second slide. When I heard an awful lot from the business community about the need to update the sign ordinance, generally the thrust was needing to update. Generally the day-to-day signs that are out front of the shop. I certainly appreciate a lot of these priorities, they're definitely important, and some of them are thrust upon it bus virtue of technology, the projected light displays and so forth. But sort of the basics of whether or not you can have a thin sign or not or how large it can be, seem to be really at the core of a lot of the concerns of the business community at least that I was talk to. And I know, I'm sure that's on your mind, as well. But I don't see it identified really in the key issues.

>> Those issues are really our interval to this update. We have heard a lot from the community, as far as the business community, in regard to those types of issues, and we've been talking to staff who actually provide services at our counter and to understand what types of problems the small business person is having. I think we've heard from Councilmember Pyle's office, a concern about the small strip shopping centers that are having difficulty getting their message out, because they're setback from the street. So this slide shows sort of the big issues, but we do understand that there are a lot of those smaller issues that are very important to our commercial and industrial businesses, and we will be looking at those issues and we'll be getting input directly from the business community on those through our outreach process.

>> Councilmember Liccardo: Okay, great, thanks, Carol. I know it was on your mind. I just wanted to make sure through all of this which I know can get us into a lot of very challenging issues, legal issues and otherwise, through some of these specific issues that are identified here, that we don't lose sight with

really what I seem to think is the core business concern, which is, I've got a business here and nobody knows about it because they can't see we're here.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Thank you. And you know kind of following up on that same idea, it was mentioned, the freeway signs directing people to the shopping malls, and so on. And I think on a smaller scale, the neighborhood shopping centers which -- you know that are especially in the older designs are removed from the street. And so I would certainly agree that whatever we can do to enhance the ability for people or at least help people get directed into some of those neighborhood shopping centers as well as the malls I'd be pleased to be in support of it. In general, I don't -- I think it's kind of good that I saw the article attached here from L.A. which I guess is an example of what you don't want to do. You go to L.A. and you'll see 15-story whatever movie is out that weekend. You know it's just ridiculous. So I think it's kind of good, we're starting off with a clean slate and we can decide what we want. I hope we can do things in a tasteful manner that is the capital of Silicon Valley, as opposed to a billboard, we use digital electronic signs that not only can be presented I believe in a much more tasteful manner and in a much more technologically savvy manner, allowing people to the tiff but actually the cost of advertising to put your advertisement up on those types of monitors, those types of signs. And it also allows the dual purpose of allowing us to market, you know, market things that are ours, as well, whether it be redevelopment projects, City of San José projects, whether it be a festival going on, so on, just to help -- again, those kinds of signs allow those multiple purposes. I would be really interested as we go forward interested in seeing how we can find key locations, that would really help, there are other opportunities around the city as well, have residential billboards over someone's house but rather look for more creative ways that we can use the technology that currently exists and I've seen done in a lot of other cities. I think we can do that, and I think we can do that in a way that really shows why we're the capital of Silicon Valley. And that's what I'd do, that's something I'd be interested in is using that technology to really -- to highlight what we have here in this city and to have interesting -- interesting entry points into the downtown or into the city, where it's not interfering with residential uses but allows us to make some money, frankly, with advertising space. Otherwise, we are losing on the opportunity.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: Thank you, Madam Chair. When we're talking about businesses and kind of the ability to advertise our business so we can have market recognition and all that, is there some way we can make that portion of the sign project, can we fast-track that and is there some way we can look at that and call that out as a more critical immediate need?

>> There are actually two sign ordinances that we do hope to bring forward ahead of the sign code update, one is dealing with the Stevens Creek signage and hope to bring that forward to you in early April. There is also a companion ordinance to that that deals with some cleanup, some matters with the sign code that we think could go forward very quickly. However, to the extent that we do additional ordinances, I think we're going to compromise our ability to complete the sign code update. So we're really going to try to fold those issues into the update, and then proceed to complete that as quickly as possible.

>> Councilmember Herrera: Yeah, I'm aware of that, it's a project to the extent that you piecemeal it, there could be concerns. I'm just hearing what my colleague mentioned. I just think if there's anything that's hindering our businesses in downtown or elsewhere during this especially during this economic times, I think we need to do whatever we can to make sure that they are not hindered and that we helped them. And if I'm not intimately familiar with these ordinances, I think we should put that on a faster track and work to solve those issues sooner.

>> Paul Krutko: We understand, and do acknowledge that direction. I would also, just, though, point out as we discussed last week in the budget discussion, there are about 20 ordinances pending in Joe's shop. And he has one person who's engaged in that work, along with many. And so there are -- I think we're listening very carefully to the degree that the prioritized work over other items, this is the kind of direction that we would welcome. I think however I want to protect the councilmembers in that we want to show you the rest of the list of the things so that you're sure that this is one you want to have precedent over the others. But we can surely share that with you. And this report will come back to council, as all the committee reports do. So that will be another time for you to weigh in on that. But I think, Joe, in the interim, I don't know if we distributed that list, I may have missed it but it may be useful to put out an info memo that describes the workload for the staff on that item.

>> Joe Horwedel: Yes, thank you, Paul. That's actually a good idea. We do have up on our Website for ordinances, for people who are able to see the owners or sign code, we do have the 20 owners or whatever, we're fleshing them out a bit. For the community to know what we're doing, instead of them seeing an ordinance, we want them to see the germ of idea and start thinking about them later on. There's a list up there already but we can share that with the council.

>> Paul Krutko: We were really appreciative that in last year's operating budget, in another tough budgetary time, the council did allocate the \$150,000 to support the consultant's work.

>> Joe Horwedel: Right.

>> Paul Krutko: For this project. So that was really important to get this effort off the ground.

>> Last piece I did want to add, talking about the businesses and with signage, we do as Carol said, are listening to what is coming across our counter, what is really not working. What are some of the things that are really not working are the legal policy questions that are up on that list as opposed to the nuts and bolts kind of things. We have done that over the past years, pretty confident that for most of the small businesses and mid size businesses, for a lot of the things that they want do, the sign code already allows them to do. It's so convoluted, it gets lost in there. What we're trying to do, it's the cost, it's expensive to do. Their tendency is to put the little box with a plexiglass window which is cheap. It really doesn't benefit their job but it's cheap. The projecting signs that Councilmember Liccardo has talked about, the agency has become a partner of bringing those great signs into the community because they're expensive. Trying to think what to do with the Flames signage. There is nowhere to put it on that building. That is the problem we find on more regular basis, architects don't like to think about signage, they're not around when it goes to lease, it's not in the plans that they draw. They do not think about signage. Staff has spent a lot of time over the next couple of years ago, to think about designing it. Safeway, going into the new tower 88, we've battled with them about signage. How they think about it corporately, they don't think about it. So that's our bigger challenge about it.

>> Paul Krutko: Joe, I might bring something else up just for the committee's knowledge. Is it a part of this general plan or this effort where you're doing visual preference work?

>> Joe Horwedel: We're doing visual preference, what Carol talked about, I'll start and let Carol run into the details. We're literally going to do pictures, the doctor's office, better, worse, here is the better sign, smaller, bigger. How does that communicate to you, is it too much or does a good job? We're going to show different types of signage. Is it the plastic box or something painted on the wall. We brought consultants to help us with that, and do great scientific studies on that.

>> Paul Krutko: Do you have to sit in a special chair for that? Or --

>> Councilmember Pyle: The glasses.

>> Joe Horwedel: Yeah, the chin.

>> Councilmember Liccardo: After you.

>> Councilmember Pyle: I just wanted to mention a couple of things. Because myself and the mayor, and I'm trying to think who else in there, I think Ru might have been in there. All of them have been wanting better signage along the freeways, forever. We are, I think, disabling them, when we can't say Eastridge this way or Oakridge that way or whatever the case may happen to be. I don't get nap.

>> Joe Horwedel: Well I'd of I get to play attorney.

>> Paul Krutko: We would welcome the opportunity to put signage on the state freeway system. They will not allow us to do that. That is a CalTrans, state of California, we have asked -- Nancy knows, I've asked specifically to Mr. Kempton, we've made that request to identify Stevens Creek, because we want people to get off the freeway and buy cars, obviously, anybody who's still buying cars. But nonetheless, what we've been told is that is a -- it is a limitation put on by the State of California, that will not allow a direction to that kind of commercial --

>> Joe Horwedel: To a site-specific they will not do. They will go put up street signs, capital expressway utero, that is on the sign, Stevens Creek auto dealers would like to call it Stevens Creek auto row. Valley fair is not so confident in having them put that on their sign. Those are the issues. The attorneys need to lay in and provide some guidance on, and that's why we included the article from L.A. Is that the city cannot do something that we will not allow the private sector to do the same thing. So to the extent that we own a piece of land next to the freeway and we want to put a big sign up there that says whatever, we have to allow the same person on the adjoining parcel that has the same thing to do the exact same thing. In Los Angeles they did not do that. They lost a lawsuit. They are now putting up 900 electronic display boards across the city with no public review. So it is something that the city attorney's office and my staff has taken very seriously over the years because there are major things for us to lose. And so we

want to make sure that as we go through, even something as simple as a news rack, that is a part of how the off -- premise advertising happens, we want to make sure it happens in a manner that is equal to a private company to be able to do the same exact things. So that's kind of the balancing we've got to work through.

>> Councilmember Pyle: So you're saying saying that Kohl's at Hamilton and 880 were able to do that because there were no conflicting signs?

>> Joe Horwedel: Eastridge could not do it, Oakridge could not do it. It is those items working down the list.

>> Councilmember Pyle: Very few people know where the plant is. The plant could not do it. The places that want it are the ones that can't have it. Valley fair, we have no challenges that people don't know where valley fair is, we'd like to get Eastridge performing like valley fair. Signs for Eastridge is not going to make valley fair stronger, that's the challenge.

>> Councilmember Pyle: There is no hope right now?

>> Joe Horwedel: It is the larger policy issues that we've been grappling with. The questions keep coming up. We'd like to work through this, council said we'd like to do it and we'd like to find if there's a way to do it.

>> Councilmember Pyle: Good. Did you want to say something Rose?

>> Councilmember Herrera: Makes me want to say the light rail will help that situation but -- I guess I wanted to thank you Joe, for going into more depth. I thought I heard you say that pretty much the nuts and bolts are there for the signs? The nuts and bolts are there but then there's some policy things that I hear is confusing confusion for business owners. Is there anything that the city can do to facilitate that? If the sign regulation there are, is there any checklist or help that we can give business owners so that they could function with the current sign ordinance in a more effective way?

>> Joe Horwedel: It's really a matter of resources. Carol, who's working at -- actually working as part of the fee program, we lose money on every sign we process. So it is one that we could do more. We're actually using maybe some CDBG money to focus on our neighborhood business districts to create a brochure or guide for small businesses, to teach them how to use signage differently. Once that's done, we could use it elsewhere.

>> Paul Krutko: Joe, could you explain it more? Why do you lose money on every sign?

>> Joe Horwedel: Our goal is to keep cost down on the signage. By the time go through and take in the application and talk with somebody you've already spent that time. And most, because of the way the sign code's set up a number of them do have to come back for a second visit. Because they're going to bring in resubmitted plans. They do something that didn't fit the code. We don't charge for that. As part of that I'm a business that charges \$200 for something that's costing me \$300 or \$400, I'm kind of using that to kind of launder my other customers --

>> Paul Krutko: You didn't just say that did you?

>> Joe Horwedel: In a large \$30 million budget, things kind of move around. The question you asked earlier for Public Works, how do they keep the cost down for smaller customers? I can't have a \$400 water heater, for example. Nobody's going to come in for that kind of permit. We night to try and go and keep our costs down and we work really hard on that. There's limits on how far we go. If the only thing I'm doing is processing signs, I'm going to go bankrupt doing that. To hire consultants or staff to go off and do a lot of guidelines or brochures or things like that, to try and help like that, and General Fund is something we just keep cutting out of. It's kind of a vicious cycle.

>> Paul Krutko: This is like moving an aircraft carrier with a tugboat. The prior councils established a very strong policy, we've seen a sea change in the attitude of the council in this regard. What Joe is trying to do is make modifications to respond to the direction we're receiving from council. But we were starting from a point that was incredibly restrictive on signs. I think the one place I'd want to praise Joe is, they work very well on situations with our leading corporations, our driving industries, who have had challenges of putting signs on their buildings, and we clearly, there's one thing about advertising for the purposes of retail sales. There's the other for acknowledging a significant corporate presence in your community. And we've had challenges where, Matthew already laughs when do I this, the three letter sign, white on blue, that everybody sees around the world, we were having difficulty getting up on a Building, in any scale. We certainly want to celebrate IBM's presence in our city. We had a really big challenge. Joe worked with the existing regs, and there was a situation where you could only put a sign on one side of a building, they had multiple signs. I may be saying that wrong Joe, but we wanted to put

the sign up and it's important to the tenants, when you've a major corporation, you want the public to know you're there. Like I'd love to have a large Adobe sign or knight rider sign.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: It resonated with me, it wasn't until I was walking down fourth street, we actually have a fourth street garage sign on the fourth street garage but you couldn't possibly see it if you're driving because it's situated facing to the west and so nobody driving would possibly see it if they were looking for, say, a garage. And you can't see it walking on the East side because you're walking around the building. Because of the way the building was designed, you couldn't get a sign on there.

>> Joe Horwedel: But the architect's mother felt very good about it.

>> Councilmember Liccardo: But you should encourage the designers.

>> John Weis: In our defense, in all our design discussions, it was the university bookstore was supposed to take the entire retail space. And they didn't need signage. And so when we designed the building, that was the use that was envisioned to go in there. And it wasn't until after the library was up, and they said, you know, we don't need that anymore. So everything was changed. And so it was designed very specifically that it didn't need multiple signage, we didn't need multiple tenants and there was one use that was supposed to go in there. I rest my case.

>> Paul Krutko: Just to beat him up, the point is as we do urban design, one of the things that's very important as we move through on the general plan, we do create a context that buildings are going to be reused. A lot of times, you know, when developers and clients come into your office, they complain about staff review or staff saying, you need to do this or do that, because it's going to add to my costs, it's just kind of the scenario that John's described. Well, they were going to have a particular tenant, now the world turned upside down and we are now dividing the space into three spaces, right? He's defending their space. I'm defending the fact that we have seen this movie before. When we tell folks you ought to do something in a certain way, it's because we've seen the movie before. So --

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Again, I just wanted to reiterate one point, because we're talking about -- when you're uh talking about the legality, when you put signs up you have to be even handed. If you drive from Morgan hill and go up the peninsula, you know you're in San José because you don't see signs directing people to targets and things like that. I'm not suggesting that we have those big things that all other cities have. But you can't get within a few miles of Milpitas without knowing there's a great mall in Milpitas. Seems like you're saying, you can't use private land to advertise or market one shopping center because everyone else will ask for the same treatment, is that what you're getting to?

>> Joe Horwedel: Well, there's two layers, certainly the city -- we can't control content, but as the landlord of the sign we can go have rules about what goes up on that so you can decide whoever's going to go. I think the great mall is a good example. That's one that the way that is set up, and Ed, you can disagree with me, is that I think it does undermine their ability to defend against a billboard company wanting to come in and build an equivalent sign. Is that they allowed that to happen for their own kind of use, and haven't done a lot of that to anybody else in a same circumstance. And there's certainly a lot of properties along the freeway through Milpitas, that were it to be the same situation, they would potentially undermine the ability to defend their sign codes. That's what's gone on in L.A. and Southern California. It's not just Los Angeles, it's city after city in Southern California, the billboard companies have specifically targeted their cities to basically throw out their entire sign regulations, because they weren't providing equal protection of different situations how signs were being approved. What our concern is we don't want our sign code thrown out. We depend on it for a lot of different things. But as a -- so when we look at this we noticed to be very deliberate about, are we going to allow the sign. It shouldn't be that the city is the owner, the right thing to do is whoever the owner is.

>> Councilmember Kalra: But those 80-foot towers, with ten signs on them.

>> Joe Horwedel: Right.

>> Councilmember Kalra: It tends to be on private land?

>> Joe Horwedel: The two giant ones up there, in Cupertino, Valco, it's on those properties that those things sit.

>> Councilmember Kalra: Off Tully if there's a business there that gets into a private agreement with the mall --

>> Joe Horwedel: If we go in and say every parcel that is one acre in size can have a 70-foot sign, they aren't saying for every one-acre site. Our challenge is that we don't have properties that are 50 acres or 20 acres in size along the freeways. We build housing in all our freeway interchanges. When we look at

237 when we're talking about maybe on the palm site doing something there, there's certainly an opportunity to do something analogous. That's what L.A. is facing, they were doing those kinds of things and because they only gave those rights to companies that were dealing with the City of Los Angeles as the landowner.

>> Councilmember Kalra: I see.

>> Joe Horwedel: That's where they lost in court.

>> Councilmember Kalra: I thought they were doing it on city land, they didn't do it with certain groups.

>> Joe Horwedel: L.A. was the other than.

>> Paul Krutko: Others were doing it, if you are doing it on city land you should --

>> Joe Horwedel: You're not just advertising, "welcome to Los Angeles." As opposed to I have the same situation across the street.

>> Councilmember Kalra: That's the same language, when you start to look at some of the billboards,.

>> Joe Horwedel: Let's work there, figure out the kinks, how it works well, then if there are some things that we want to do citywide, let's take those things out. Not do it citywide and goof up the way L.A. is at right now.

>> Councilmember Pyle: Okay, are there any members of the audience wishing to speak to the subject? No, seeing none, we need a motion to approve.

>> Councilmember Kalra: So moved.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All in favor? [ayes]

>> Councilmember Pyle: Did you have another question? All right, moving on now, John, it's your turn. San José enterprise zone which is pretty exciting. Welcome, Leslie and Yolanda.

>> Thank you. Good afternoon, chair Pyle, members of the committee. I'd like to -- my name is Leslie Parks, I'm director of downtown management for the redevelopment. The Enterprise zone is managed out of that agency. Yolanda Yee has been in there position for over ten years, 15 years, hard Yolanda, 15 years. So she is the expert on the enterprise zone and is responsible for implementation, and Kristin Keilin is here as the tech support person. We're here to give you an update enterprise zone implementation. I want to give you some background, we have two new councilmembers who may not be familiar with the enterprise zone and how it works. We received an enterprise zone designation in 1986, that was the original designation. We received a five-year extension in 2001 and a new designation in December, 2006, that takes us out to 2021. We have -- there are 42 enterprise zones in the State of California but San José has the only enterprise zone in Santa Clara County. There are other jurisdictions in the area and the region that have enterprise zones such as San Francisco, Oakland, Monterey -- not Monterey, Watsonville and Salinas. We are the only community in Santa Clara County with an enterprise zone designation. The enterprise zone is the most significant menu of available services today. The employment training panel program funds and some infrastructure bank funds but the enterprise zone is the most comprehensive. It has an array of tax credits that are available to businesses that are located in the zones and these include hiring tax credits which we believe are one of the most significant. A sales and use credit on manufacturing equipment that a business can buy. Interest deduction for lenders and a 15 year net operating loss carryover. Now all of these tax credits are just that. They can be applied to a business's income tax when they file. I want to mention also that the city adds considerable value to these tax incentives because we do not charge the businesses that receive hiring tax vouchers the \$10 state fee that is imposed. The council made a decision several years ago not to pass that on to businesses. In addition, we add another tremendous value because we have staff who process the hiring tax credit paperwork for the businesses. This is pretty onerous. Businesses always complain to us that the state has these incentives but they are very difficult to access. We take a lot of the trouble out of it by having Yolanda and Kristin do the paperwork on part of the company and we do not charge the company for that service. There are a lot of third party firms that do charge. Two months ago we decided, actually it was a few months ago we made a decision to apply for an expansion to the existing zone. This is the existing enterprise zone area outlined in red. Originally in 1986, this zone was to expand to the downtown but we expanded it to include the Monterey corridor. Our goal was to accommodate primarily what was the site up at 237 which was intended for Tesla. So we moved the application along. We were entitled to expand our existing square miles, we are allowed to expand it by 20% which is a two-mile extension. Even though Tesla has decided to look at other options, we feel it is critical to get that site at 237 included in the enterprise zone. Because realistically if you look statewide that is probably the best opportunity site in the state of California because it has resources and incentives, local incentives that can be offered to a

growing business. So we feel it's a critical site for the state, also. Right now, we have 610 companies that are participating in the enterprise zone benefits. An interesting fact is that 80% of these businesses are small businesses. So -- businesses are small businesses. These are employers that have less than 30 employees. We have also some very large businesses such as Adobe that have taken advantage of these enterprise zone benefits. Primarily the benefits that they take advantage of are the hiring tax vouchers. In '07 and '08, Yolanda and Kristin completed 228 hiring vouchers for these benefits. The types of businesses that benefit from the enterprise zone, you can see from this slide that there's quite an arave businesses, banking financial services to technology companies. A lot of our businesses downtown which are experiencing a very challenging time are taking advantage of the hiring tax credit and this is something that helps their bottom line. This map shows the proposed expansion areas. When we go -- when we decided to apply for the expansion, the state does have some requirements or criteria. And that is, we cannot leapfrog businesses to get to another area, another area of businesses. So again, that green area way up at the top, the lime green area that you see in north San José, that is the site that we intended for Tesla. We have also added some area in North San José where we have a lot of vacancy right now because of the economic down turn and we added the FMC site which the city owns and we feel is a tremendous area for development. Likewise, we decided to add area in Edenvale, we feel that the enterprise zone will assist us greatly in achieving those two goals. The areas we have included in the expansion include north San José that the Tesla property or intended Tesla property, a chunk in Rincon De Los Esteros, and a chunk along Alum Rock area. Older areas, small businesses that we feel could use the support of the enterprise zone designation. The airport or FMC airport West site. We have had conversations with the state staff that are responsible for processing the enterprise zone expansion application. They feel very comfortable with what we have submitted. We have made one little adjustment. We were a little over the 2 square miles. We were hoping that they wouldn't catch it. Just a tiny bit. They've asked us to adjust that area. We primarily took out streets where enterprise zone expansion went into the street. They are comfortable now with what we have done. That's our update. We hope to hear from the state by next month and we have no reason to believe that the state won't give us that final approval for our expansion but we'll let you know, we'll be back again as soon as we have a final confirmation. Any questions?

>> Councilmember Kalra: Thank you. I'm glad to see you're pushing the envelope there. What can we expect to gain from the state? If you can even put it in terms of numbers, what this expansion or more in terms of potential incentives?

>> Well, what we're hoping, councilmember, about a year and a half ago the legislature did erode some of the benefits temporarily. They limited the hiring tax credit to 50%, and then will allow companies to make up the difference after two years. They also cut back, they delayed the net operating loss carryover benefit for two years, but saying that companies can pick it up again in 2010. You know, I guess you have to look at this to the -- for the state, these types of tax credits do result in some type of opportunity cost to them in terms of lost revenue. We're hoping that this year, given that the budget is certainly not any better than it was the year before, that the state won't try and reduce or erode those benefits even further. We think that that won't happen. A lot of the legislators have an enterprise zone in their jurisdiction, and again, this is the primary, the most significantly benefit that the state offers and certainly we compete against states that offer significant abatement, rebates, et cetera, all kinds of concession to businesses to try and attract them to locate in their jurisdictions. Just to give you an idea of '07-'08, the total values of the easy incentives that companies took advantage of in our designation was about \$60 million. So that's a tremendous benefit. So I think we can look forward that if we aggressively promote the enterprise zone to businesses, take a lot of the mystique and hassle out of it, they can certainly benefit. I would say in the last year in all the time I've been doing economic development in San José I've never seen such recognition by businesses about the enterprise zone. They come to us now and one of the first questions they ask is if the site that they're looking at in San José, is it in the enterprise zone. So that's never happened before and I think a lot of that recognition was brought about by the Tesla effort, et cetera. We're really happy with that kind of recognition.

>> Paul Krutko: One point on that I was with secretary Del bonner, he leads transportation and housing, he emphasize that he sees the governor putting significant marketing muscle behind pushing the enterprise zone incentive. The way he put it, now that the governor's got the budget behind him he can start being the state salesman again. They're starting to package what they're calling innovation zones. But in a marketing sense, rebranding and having the governor go around the world pushing our innovation zones. So I think we'll see a little bit more marketing muscle. But I do want to echo, Yolanda

was in our shop for many, many years and she's done a wonderful job. The classic story here is Adobe. Because it took a long time for a number of people, I think Nancy Kline was involved in that, too, to finally convince somebody in Adobe's HR about how valuable it would be to them. And I think they're in north of 30 million last time I checked. But you really have to get an HR manager who gets it. Because it is people that are already hiring, is the real issue.

>> Councilmember Kalra: Obviously, the times, may cause people to look more at any opportunity to give, it may have seemed like a burden before, now they're willing to go through that just for that extra push. I know personally, a friend of mine that was days away from taking his company downtown, hit a little small finance company with 20 people, and going to San Francisco. Because of our staff, it looks like he's going to stay here in a different location in downtown. Because staff took that extra effort. And I think that that's where, that's probably the one place where we're going to be able to take advantage, just, we just kind of hustle more from just working harder. As you mentioned, you know, most jurisdictions have enterprise zones. If they're not going to leave the state they may just go somewhere else in the state and take advantage of the enterprise zones somewhere else. I like you taking on the responsibility of reducing the burden, reducing the level bureaucracy and make it less cumbersome. Wherever we can make it easier for people to stay here or come here, obviously, we have to make sure that people are -- that are here, can succeed and that they don't leave and then on top of that obviously try to attract more companies.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: This is great. I want to thank staff for all the success we have had up to this time. Many years ago when I did have a company I did look at that time enterprise zone. That was several years ago. I wasn't able to locate my company in one, but I was aware of that and wanted to take advantage of the hiring credits. District 8, concerned about the whole city but obviously district 8 is the district I represent. Was there any exploration or is there any of doing -- it probably doesn't meet the connection with the rest of the enterprise zone but I'm thinking, you know, there's lots of business out there that could really use that kind of incentive and to grow and to locate in our area, as well.

>> Councilmember, that was the primary challenge, was having -- identifying areas that were contiguous. This applies to just about every area with businesses right now, in this economy, where we felt that there was the greatest benefit from redevelopment in terms of areas that were really challenged, in terms of their physical improvement. Secondly, those businesses that maybe challenged because they're at the lower end of the socioeconomic spectrum, also, we wanted to reduce vacancies, which is climbing. Kim just showed me a slide now, and the difference in the vacancies that have occurred since last quarter and the quarter now. We really do want to shore up our driving industries too, which are the emerging tech companies, because these are the companies that offer the hire-value jobs that will benefit all citizens. We understand we couldn't hit every district but we did look comprehensively. We are very fortunate in the SNI areas, in the neighborhood business districts and in the other business cluster districts, we do have incentives that can help and so those are available too. But again that's my explanation as to why maybe your district and another one didn't make it. We did look at that.

>> Councilmember Herrera: I guess just as a follow-up, did -- so every area was looked at in the area, and these were --

>> Right. And again, we can't leapfrog. And there has to be some adjacent tocy or contiguousness. We pushed it a bit on the proposed Tesla site but --

>> Councilmember Herrera: That's not contiguous.

>> Again, the state was very supportive of that expansion. The argument we're making now, that is one of their best sites for a significant business expansion, too. So that was just one. We did not -- we did not push it in other areas.

>> Councilmember Liccardo: A couple questions. First, thank you. This is great, Leslie. Given -- if we go back to the map, I know an awful lot of this is in my district where we've seen an enormous amount of industrial land conversion over the last couple decades. And my question is, can we use the fact that we're giving up that potential job producing capacity, and move that other places on the map? In other words, if essentially that entire area between Japantown and Northside is going to go the way of housing, can't we just carve out a hole there and add than that on somewhere else?

>> Well the designation we have, and I'll have Yolanda speak to this if what I have to offer is not sufficient, but my understanding is, that our designation now goes for 15 -- well, we have 12 years left. And so a lot of that conversion or planned conversion is further out. And so there are still areas of the Japantown area that have businesses that are still up and running and thriving. I don't believe we can

adjust the boundaries now to take what would be surplus and then reapply it elsewhere. Yolanda can you --

>> That is correct. Once our enterprise zone has been designated, it is final. They allow us to extend it by 20%.

>> Paul Krutko: And also, I know John is ready to click on, Yolanda remind me. When we got the continuation, if that's the right terminology, we were very fortunate to be able to get the continuation, because the -- from the State's perspective, we gave you an enterprise zone for a period of time. You're Silicon Valley, why do you need an enterprise zone? We made the push at that time of getting the continuation. Over the existing zone they've really approved, we've got a bit of census tract information.

>> John Weis: I guess where I was going to go with it is, it was worth a shot to ask, I understand what you're saying, over a 20 year period of time, in district 3, district 2, district 4, we've begin up a substantial amount of industrial land to housing. It would be interesting to see what that is, add it up, call the state and say, listen, we lost this, is had any way we can expand it? It's probably no but it's worth the asking.

>> If we could ask that question after we got the confirmation, the expansion was approved --

>> John Weis: Right.

>> Councilmember Liccardo: If they want the expansion let them know how much land we've got.

>> And if I could say the requirements are pretty much part of legislation, so there would have to be a bill to change the requirement.

>> Paul Krutko: They don't have the -- what I remember, they don't have the discretion at ETH to change that. It would require a bill, and also I tell you when I saw them on Thursday they said you got your paperwork in and everything looked good and it was going to be approved. Is what they told me.

>> Okay, great.

>> Councilmember Liccardo: The other question I had was, you may have already answered this, but as I look at the map and look at Rincon de Los Esteros, the bread basket along the first street corridor is largely omitted. Is that because they don't fit the criteria of the kind of industrial-commercial that would qualify, or -- it seems to me those are the businesses we most want to keep, right? A lot of those high tech companies in that corridor.

>> Well, what we did -- the decision factor, staff decided looking at the North San José area, deep dark purple, this is an area that had a lot of existing older Real Estate product, largely a lot of it is vacant, tough to sell, market now. Again certainly every company could benefit from the enterprise zone tax credits. But we felt it was important to include the areas of older, highest vacancy. If you are right, that Cisco is kind of the bread bask between the purple and the green, they would have benefited too. But we wanted to be very strategic and shore up our area because that too is part of our bread basket and it's a little more challenging to market. There are areas of north San José to the East that are really older industrial areas and this has been very critical. Originally the enterprise zone was intended for those older tougher areas, older industrial areas. And you'll find in --

>> John Weis: And proposed expansion that we're showing in the other purple up there is roughly in the areas that we have very high vacancies right now. It didn't go up north first street but looked at the areas that had the highest vacancies, that we knew were having problems with retenanting. So it's -- but look at the original area, that's what Leslie is describing, is the area that we have, you know, one and two-story spaces that really are, some of those are not part of the north San José policy that we're about to hear from. Some those areas are not in that area, north San José is right up the spine of north first street.

>> We have two or three companies right now that are interested in sites, in those dark purple areas. And primarily what piqued their interest was the proposed expansion. Otherwise they wouldn't have looked at that space.

>> Councilmember Liccardo: All right, thanks. I often talk about the enterprise zone when I'm out there begging companies to move to San José. But it would be great if we had maybe a slight or two that we could send along in an e-mail, to all those companies.

>> We do that.

>> Councilmember Liccardo: When we talk to executives out there in the community it would be wonderful if we had something to send them with an e-mail that says, by the way, this is what the enterprise zone is about, these are the benefits --

>> We'll get you the electronic copy, a link. We have an e-mail that is updated because as Paul says we officially should be confirmed and we have a new map and we have electronic copies of all those and we'll get those to you.

>> Councilmember Liccardo: Great, thanks.

>> Councilmember Pyle: Fur questions? Are there any members of the audience wishing to speak on this subject? Seeing none, we have a motion.

>> Councilmember Liccardo: Move to approve.

>> Second.

>> Councilmember Pyle: All those in favor? Approved.

>> Thank you, Madam Chair.

>> Councilmember Pyle: I'm almost afraid to ask the next speaker to come up. We know things are not looking but but we're unable to define what that means. Kim, we're waiting for you.

>> Kim Walesh: Through the benefit of the new councilmembers, we periodically brief this committee on how the economy is doing. And to be frank, it's been quite a while since we've done a pretty detailed briefing. And we feel like it's really important now for two reasons. One is, in times of uncertainty, like this, it's even more important to keep in touch almost on a daily or weekly basis with where we are and what the facts are. But secondly, we are this year being starting to update the City's economic development strategy. Which was adopted by council at the end of 2003. And intended to last for about five years. So part of what you're going to see today is sort of initial work updating some key data sets, that are a part of that process. And I do want to introduce John Lang who is my colleague in the office of economic development. John is an economic development officer but his real title is guru. He is the economic research and data guru not just for our office but I would say for the whole city. He is a real resource on data needs and how the economy's changing. So I'm going to move very quickly to this. I'm cognizant of the time. Feel free to stop me if you have a question or you want to go deeper and I'm going to ask John to jump in if I miss any key points or you have something that you would like to add. We're going to review our core economic indicators. These are a set of indicators we update about every quarter. We're also going to share with you basic information about what is the current structure of the San José economy. And then we're going to show you some fun and interesting national rankings which we also like to collect and put in our file and pull out every now and then see how we're doing relative to the other places.

>> Paul Krutko: At the end we'll give you a brief on the stimulus and what the staff efforts are in regards to the stimulus package.

>> Kim Walesh: This is the sorry news, we ended 2008 with negative job growth. After four years, where we gained about 47,000 jobs, '04, '05, '06, '07, that was very good. We regained about a quarter of the 200,000 plus jobs we lost following the dot-com roller coaster ride around here. The most important point I'd like to make on the next slide is going up to October '08, we were actually even keel. So it really was a bad November and a bad December. And any day now we're going to get the bad job numbers. So the downturn for us has been really at the very end of last year. So if you can see, there are ups and downs for October, there were 22,000 new jobs and then 22,000 job growth where it went away in those three months. But on balance, it was sort of at zero. So we sort of lost it in November and December. Right now, our latest unemployment rate in San José is 8.6%. So the California rate has now shot up above ours. And you can see how both San José and California are significantly above the national average. Obviously that national average includes some places in the U.S. that are much worse off than we are, with unemployment rates above 10%, in areas like Fort Meyers or Fort Wayne, Indiana that were here with us this weekend. But we are above the average in a bad way. This is a slide that Leslie was referring to. What we saw was the goal in the fourth quarter of '07 and then the blue is fourth quarter of '08. So these are for the three different main kinds of space that we have here. Can you see how our manufacturing -- you can see how our manufacturing space is very much in demand and remain so, vacancy rates under the Silicon Valley average. What Leslie had referred to is, see how our office vacancy rate jumped for under the Silicon Valley average, jumped from 10% to 17%, way above the average. And then R&D, we're above the Silicon Valley average but we're really holding our own. So the main space that was either offloaded or coming online, did not lease, mostly offloaded is office. Occupancy of hotels which leads directly to our transit occupancy tax. Again, I want you to focus on the fourth -- to the far right, fourth quarter and then first quarter. And you can see how the pattern, going back every two years, is the holiday, jumps up, so far, through January you see 49% occupancy, we'll be keeping an eye on that but clearly there's falloff in hotel occupancy which is expected to continue at least through the first six months if not this year. And then the next slide shows the airport passenger levels. Just let me know if you want to jump in. Okay, from '07 to '08 the average for those two years is a 9% falloff. As we look at the January traffic, which isn't on here, that's down 18% from the prior January. So from January '08, if I compare that to January '09, it's down 18%. This is important to keep

putting up here, because this is one of the causes of our structural budget deficit, is having consumer sales tax per capita that significantly lags the rest of the cities in Silicon Valley, which is just mentioned earlier, is partly a result of not zoning great tracts of land near intersections years ago. This gives you a sense of how underretailed we are. Now venture capital. Jobs is one of our number one indicators. Venture capital investment is our number 2 indicator of things to come. What's interesting in '08, for the Silicon Valley, we actually have a slight increase in venture capital for the region. But then we like to focus on, well, what about the share of that venture capital that is going to companies in San José? We want our local companies to be getting venture capital and we want to be attracting venture capital bound companies to come can to our cities. And the good news is our share has gone up a little bit. I can find some good news. And if we can go to the next side, we tend to bump around like 8 to 10% of the valley's venture capital. Now we're at 11% which is a good thing. That's 78 companies, right? At a time of difficulty we have 78 companies in our city who received venture capital last year. And that's something we need to celebrate, we need to be in relationship with those companies. So you might ask, well, who are those companies? So John prepared a list. This is two slides that you can see here. The names of the company, and the sector that they're in. So you can see a couple of energy industrial on the bottom left. But you can see that's quite a broad range of sectors. Software, about 20 companies in software. Look at that list. You may be able to pick out one or two or three of those that you've heard before. But the rest of these are companies that we need to start to get to know better. And the last slide we see here ask home prices dropping, which is obviously a bad story. But if we want to look at something good, they dropped less in San José than they did in the rest of the county. So Santa Clara County had a 44% drop from a high of over \$1 million in the last 12 months. So our drop was 38% in the last 12 months. So hard to find something good in that. But if there is something good, our decline has been less steep than the county overall. So that's a little bit on the current economic indicators. This next section is just good, I think, basic information about the structure of the economy. So this first picture we put up a few years ago, economy 101, three parts of the economy that any healthy economy has. That is, we have the driving industries on the top box there which are those industries as we all know that are outward oriented, that are selling product outside the region, that are bringing new money into the region. Typically these are about 25 to 30% of all jobs, and typically they have the highest average wage. And the reason for that is they have the highest value-added and the highest productivity. So you can see in our city -- city or Santa Clara County, this is our city right now. 25% of our jobs are in the driving industries, with an average wage of 86,000. Then below that, you have, or supporting that you have business support industries, another 25% of the jobs. Again, the average wage is less, because they're less productive, adding a little bit less value. But 50% of the jobs are in the people-serving industries, right? And that's typical for any economy. And then you have the average wages are lower there, not because they're not valued but because there's less value-added there, they tend to be service-oriented. So we talk a lot about the driving industries. And can you see how they're critically important. There are many communities and states across America that have nothing going on in their driving industries. They're having a very hard time seeing what's going to propel them going forward. So we're very lucky and need to continue to tend to our driving industries because they're the engine. But we also need to recognize that those other 75% of the economy where people are employed are also important. And need to have strategies to support growth and jobs and land use and office needs there.

>> Paul Krutko: We really need to underscore that point. Because it's absolutely vital to understand that the bulk of our revenues in terms of revenues to the city, do you want to go back to the last slide? Actually come from the bottom group, from the people serving industries. And while we do put a lot of emphasis on what's on the top of, and it's important that we do do that, those businesses primarily generate revenues to the city through property tax. And in the case of where most of our businesses of this type are concentrated, through tax increment revenues that go to the agency. And then the agency reinvests those dollars for key projects. So it's one of the reasons that we've been argue that we need to be looking at what kinds of investments we can make in the bottom box, because that generates significant revenues that support the General Fund of the city. And you recall the slide you don't have up at this time, is the vital tech slide, that articulates the notion that a quality environment is what attracts those driving industry companies and makes them want to be here along with the talent component. So one of the things that's very concerning to me about this slide is that the city revenues, given the way that our economy works, that people here develop the product, create the idea, innovate over the product, and then they manufacture it someplace else. We don't have as much opportunity to drive those business-to-business sales taxes that now, we convinced, it was an anomaly of the 90s that we had over other

folks. That's faded away. Those bottom two boxes, we are playing to fill the revenues of the \$65 million budget shortfall that we're faced with.

>> Kim Walesh: Multigoals, we do economic development for jobs and rising development, but also for rising economic generation for the city. So you get different rising parts of the model. Let's just look at, where are people employed in San José? So the blue is employment in 2007, which is unfortunately the most most current data, that's what it is. You can see our largest sector is computer communications equipment followed by software, then you can work your way down to biomedical being the smallest currently of our driving industries. If I showed you this for Silicon Valley, software would be the largest industry. So we tend to be less concentrated in software in the valley. And you also may notice a few things about change in employment from '04 to '07 so our growth has been in the hardware and innovation services and a little falloff in biomedical. We should probably probe what is that? So there's a similar slide for the business and people-serving industries. And again, what I want to point out is, if you start on the left, one, two, three, all five those through transportation and distribution, are all larger employers here than the driving industries. And you can see those -- it's because this was 2007, some increase in building construction real estate which has fallen off since -- and some increase in retail and consumer services which has probably fallen off. But one thing we like to do is track what sectors are growing or contracting, and what employment sectors are like relative to the rest of the valley. The next chart shows for each one of the sectors, what is the average wage, and what is the average firm size? So there you see software, as it is for the valley, definitely has the highest average wage and has for the last five or six years. But I also want you to note on firm size, generally the average firm size is quite small. Sometimes people think of Silicon Valley as these big companies. But the average size is small. The next slide, I think this is interesting. So the top row is for San José. And this is a distribution, you can see the distribution of employment across size of the company, as measured by number of employees. So one point point, I think it's important to understand, is only 20% of residents work in small businesses. Meaning, 20 or less. Small business is a very important backbone of the economy, very important leg-up for people, very important for small groups. But only 20% of people here are employed in small business. And then on the other end, 20% are employed in a thousand-plus. But it's a very small share of companies. Actually, that's less than 1%. It's showing a zero. But we have very few really large companies. And -- but 20% of them, people are employed in them. Where a real strength of ours is the 20 to 99. You can see we've got 29% of our employment is kind of the mid tier, the 20 to 99-person company and if you compare that to the nation, the nation, only 20% of people are employed. So one of our strategies is certainly to support small businesses and those businesses that want to stay small. But we really want to washing with those businesses that want to grow to the 20 or 99 person businesses and some of them will grow beyond there. So the bulk of the companies in Silicon Valley are actually the 20 to the thousand. Those are not the ones that are always in the newspaper as the big thing, but that is the core Silicon Valley. Just wanted to give that as perspective of where people are employed. Okay, national rankings and many of these are very positive. We are number 1 in U.S. patents by far. And you can see also, some of the other Silicon Valley cities on the list, Sunnyvale number 4, number 6 is Palo Alto, number 8 is Fremont, number 10 is Cupertino, so we're number 1, but you add us up with those other cities and we're really a formidable force. And I would like to direct you to this month's Atlantic monthly. Which you can see online. Has a terrific article by Richard Florida. And he's talking about how this recession is really going to affect different parts of the country, dramatically differently, and there may be a restructuring of the economic landscape as we come out of this. But he has made interactive maps and I wanted to share one of them with you. This map shows for each of these cities, happens per capita, the average for these metropolitan areas. This is 1975. The green dots mean you're above the metro average. And the red dots are those places that fall short of the metro average. So see us there? Okay. Whoa, that's 2002. So let's go back to 19-- back to 1975. On the Website you slide this and then you go to 2002. You can see how in 30 years, we blow everybody else away in terms of patent generation and the Bay Area more generally. Now, there's another new statistic which I think we should all start using, thank you John for this one. Is that we have the most fortune 500 companies per capita again of anyplaces throughout the country. We have 14, if you look at that on the per capita basis again, we're number 1. And when you're in conversations with our folks from the rest of the Bay Area and they're talking about how important San Francisco is, I want you to use this statistic. So we are nearly 60% of all of the Bay Area exports, come from San José. 60%. So that's an impact that's more than three times our population. And we're really driving the outward oriented activity that the Bay Area economy.

>> Paul Krutko: But that makes us feel good and I see smiles from councilmembers. But this message is not resonating to the north of this city. And it plays itself out at MTC, it plays itself out at ABAG. So these are the kinds of facts that we need to be armed with to encourage the kinds of investments that need to be here, when we have this kind of economic engine.

>> Kim Walesh: So we can say we're 60% of the Bay Area exports. And we're 20% of all California exports. 21%, say we're one-fifth of all California exports come from San José.

>> Councilmember Liccardo: May I jump in have we sent these to our friends at ABAG as they compile their 2009 projections?

>> Paul Krutko: There is a group work at very Sr. level, led by Laurel. We are trying to make those messages known. We will certainly make sure that our reps, your colleagues and yourselves who are on those groups are armed with those. But I have to tell you, you know, I've been here now seven years. And it's going to sound pejorative, I like to use the phrase, the navel gazing up north is pretty substantive. Central business district San Francisco, but also Silicon Valley, and we need your vigilance and your help with this, because we need to push this message through.

>> Kim Walesh: So they have these statistics as of last week. We all need to be hitting on them over and over and over again in different venues. This is not an area we're doing well. This Silicon Valley joint venture reason Friday, basically there's a map in there that shows where the very high speed broadband is in California, and it's remarkable that it's not in the Bay Area. It's in Sacramento, it's in part of Southern California. This is like the Comcast Fios that you can get in Washington, D.C, it's what allows very high speed video. And it's not here. Which leads to things like this, that San José no longer making the list of the top 10 most wired cities. We used to be four, and now we actually join with San Francisco on this ranking and we'll fallen out of the top 10, so this is a regional issue so it's disturbing for our identity. We're number 4 on cost of living, we'd rather be lower. But just wanted to let you know, New York is number one for residential cost of living, San Francisco number 2, Honolulu and we are tied with queens for fourth place. Real estate value is falling, home price are falling. These data will be updated, we have to be sensitive that we're high-cost and reasons for being here. Health kick lately, we included two fun ones, number 9 in terms of healthy cities for women, why is that? We're the lowest smoking rates, one of the top 10 places for eating healthy and less chance of dying from cancer that are than in other places. But even a better place to live for men.

>> Councilmember Pyle: Because women are so healthy.

>> Paul Krutko: The healthy women need to chase the men.

>> Kim Walesh: Okay, fun facts for you to use.

>> Paul Krutko: Chairperson Pyle asked if we could provide a little bit of update of where we are on the stimulus. There is another Sr. team that's been very aggressively working to compile one of those famous lists. We have a very scrubbed list of targeted project that we're looking to pursue. They are segmented in a contest of ones that are tier 1 opportunities that can move very quickly and others that can have a little longer shelf life. We are polishing our work and we expect within a week to give the council a description of that. But more importantly overlaid over the top of it is really a context setting for that. What mayor Bloomberg was putting together a strategic framework of how the community was trying to advance itself, so that you can get more, if you will, bank for your buck in terms of what you're investing in. There are also a number of what we're being very diligent about, is that now that the stimulus is out, everyone is trying to figure out how you get to where the money is, and who's going to make the decisions. And quite frankly in the meetings that I've attended there's a lot of uncertainty about that. There's also the overlay of sort of the Obama administration articulating a transparent, that we definitely subscribe to transparent and documented approach. But that causes pause for the federal folks about, well, did we stop and figure out how to create that transparent, open system before we put the dollars out? Well, that's an issue. There's also issues just to manage one thing, that we have brought -- I brought it up at a meeting today, that we have not gotten traction with at the federal level, which is that projects that are cleared under CEQA, apparently will have to go through the full federal environmental process, which we find to be something that maybe the federal government all to waive for those states that have as detailed of an environmental process. But on meetings on Thursday around today, I'm not getting any traction on that one. That may be something that as the mayor travels to Washington, we need to continue to raise. I think we would find allies among other big city mayors in that regard. Two other things. There's a desire by -- there will be getting communications both from the Governor's Office, as well as from the assembly, from committees that have jurisdiction. There's the desire to create what they're calling economic recovery plans that are based on a regional basis. Again, you have everybody waning to help with the stimulus, so we're

monitoring both of those and making sure that we're positioning San José well in those forums. The state effort has got sort of a 90-day window that they want to have regional plans primarily based around the the CalTrans district. We have raised that we don't see the CalTrans district as an economic unit and they've heard that and we are working to again put our best -- we want this effort to be successful because we want to build relationships with the state because significant dollars are going to be coming through the state and those relationships will be important. A bit of good news, I want to share on the stimulus, one of the earliest dollars that will come to us appear to be through the workforce effort that we are the primarily federal receiving agency, we expect to receive around \$10 million more. Haven't figured out yet, but you're getting an early preview, we have an opportunity for summer youth, very significant opportunity for summer youth and one of the things we're seeing is, as we're cutting service delivery under our existing budgetary position, can we at least over the summer replace service delivery and park maintenance and medians and libraries with that component. So stay tuned on that. We think that Jeff Russer will be leading that -- ruster will be leading that effort and it will be significant.

>> Councilmember Pyle: Okay, I'm losing my quorum up here. Thank you very much. I wish it were better but it's better than I expected. Any live comments? I need a motion approve that report. All in favor, opposed, we approve that report. North San José development report? How much time will that take? 15 minutes?

>> I'll try to do it in 15 minutes if that's what's necessary.

>> Councilmember Pyle: Yes, okay. Rose can stay for 15 minutes. All right.

>> Councilmember Liccardo: Do we need to take action? We could hear it with two people, right?

>> Councilmember Pyle: Yes, we could. Is this an action item or is it a report?

>> So long as you have two members of the committee you can continue the meeting. You just won't be able to take any action.

>> Councilmember Pyle: Exactly.

>> Councilmember Liccardo: But do we need to take action?

>> It's a status report. We were looking for input. You don't necessarily need to take action. But if you do have comments or input.

>> Paul Krutko: What it does say, just for the -- at the end of the report, this will come to council, in April, is when we're anticipating. So this was really designed to be a check-in. Are we moving in the right direction, right?

>> That's correct. So we were hoping to have input from the committee at this meeting. And basically, the impetus was, that in December council directed us to make a change to the North San José area development policy that would require an amendment to that policy. And they also direct us to return with this check-in. We're working towards april, late April, council date on that amendment. And we wanted to come in today and provide overview of what changes are being proposed. A brief overview of the policy, recognizing that we had two new councilmembers here. [Laughter]

>> Councilmember Liccardo: We can skip through that.

>> I will go through that very quickly. I will just reiterate that this is really came out of an effort to continue North San José as an employment center, key employment center for the city. List the growth and also the idea that it's a smart growth planning concept that we're really trying to make the best use of resources that we have available. And these were the key elements. It's a traffic level of service policy, and it's part that provides special level of service for traffic in north San José that allows this amount of new development, 27 million square feet of office, 32,000 residential units, ties that to \$570 million in transportation dollars, part of that was funded by the development through a traffic impact fee and one of the key components is a phasing program that divides this development up into four phase he that are linked together. Which brings us to the First Amendment.

>> Councilmember Pyle: Can we ask questions as we go?

>> I'm going very fast, yes.

>> Councilmember Pyle: Would the \$570 million in transportation, is that something we need to seek it out, or it's available, it's --

>> So it's a mix. About \$470 million is intended to be funded through a traffic impact fee that's assessed through the industrial and the office developers. And the remainder would come either through redevelopment agency funds or state funds that are allocated, that we can seek through the competitive process and we have a fairly reasonable level of assurance we can achieve.

>> Councilmember Pyle: Thank you, Andrew. So the first proposed change, the amendment, there is a key change that fit under the amendment. The first is to modify the phasing plan, as it was set up there

were 32,000 housing units in the overall policy and 8,000 in each of the four phases. So the request from the council was to modify the capacity of the first phase from a maximum of 8,000 units to add an additional 500. The second proposed change to the policy is to make provisions for regional commercial. When the policy was originally adopted that was less of a goal of the city but that's now something of interest. The third was to address affordable housing. And then there are also a variety of sort of clarifications that reflect staff's experience in implementing the policy that is part of the amendment. The second item is what we're calling a neighborhoods plan. And that's really a policy that will memorialize the work of the task force that the city council had convened, their recommendations. And then the third piece, the third item that we're bringing forward is urban design compliance that will help serve as implementation 2004, make sure new development follows towards the vision and it's also intended to help the developers understand the vision, giving them examples and illustrations that clarify that. Briefly, on the 500 residential units, as part of council's direction we were given very -- we were given some specific criteria. So those are being incorporated directly into the proposed amendment. One of those was that any projects taking advantage of this extra 500 units would be consistent with the policy's objectives. One is that this opportunity expires in July -- on July 1st of this year. So there's really a fairly narrow window if this is approved, potentially approved by council in April or May then there would be a couple of months opportunity. At present, of the 8,000 residential units that are available, all 8,000 have been committed to projects through planned development permit. And we have one pending application for a project that's 460 units that could take advantage of additional units. We don't have any other pending permit application at all. So our selection process is relatively simple and since that one project does in our judgment and staff judgment meet the objectives of the policy, it would qualify.

>> Councilmember Pyle: So there's a sudden surge in the economy or things look better could the July 1st deadline be extended, by council approval, of course?

>> Right, you know, that's -- we're following the direction that we were given. Council could take a different direction, and I would state that just to clarify, too, that those 8,000 units that are assigned are done through a permit process and those permits have a two-year life span to them. The first few of those would actually expire in June of this year. So if they're not implemented, they expire, additional units would become available. Although also the way the direction was written, was that they wouldn't become available above 8,000. So there's another kind of pull-back to 8,000 built in there. But there's a time frame. Part of council's direction was that we modify that from a two-year to a one-year time frame going forward with future projects. Second topic we're addressing is that of regional commercial uses. In the policy, currently the policy doesn't really provide capacity for regional commercial. And that was more or less by design, at the time the City's objectives have shifted, and that we are seeing more value to having regional commercial development in North San José, fiscal benefit to the city. That direction was more or less affirmed by the task force that also saw a lot of value in having more of this kind of use in their neighborhood, so to speak. So the proposed amendment would do, really address two uses, one the larger shopping center, sort of like the examples you see up here and the second being hotels. And it would create an ability to allocate some of the traffic capacity in the policy to those types of uses and then charge them a traffic impact fee consistent with the number of trips that that type of use causes. The third topic, aim going fast enough here?

>> Councilmember Liccardo: Yes, that's all good.

>> The third topic to address is affordable housing. And when the policy was originally adopted in 2005, it more or less -- it largely coincides with the Rincon de Los Esteros development, it was presumed that the 23% would be affordable in north San José. In-lieu fee, including the units in the project, the policy action and the fact that there's a cap on units in north San José it became a concern that the available capacity would get soaked up by projects that paid their in-lieu fee and we didn't actually end up with affordable units in north San José, they would be sort of forced into other parts of the redevelopment project areas and create a concentration against city policy. So to remedy that, we're looking at, as part of this proposed amendment to sort of set aside some of the capacity, 20% of the capacity in each phase, for affordable projects. And a little bit complicated but the point of this table is to say that each phase has a minimum and a maximum of residential units. By making 20% affordable, you don't actually affect the ability to achieve the minimums in each phase. So it wouldn't be the case that a lack of affordable units would prevent moving into future phases that would then allow more industrial development to occur. But there is at each phase a set-aside for the affordable projects to make sure those units are available for affordable projects. And again, for phase 1, this has -- most of those 8,000 units have already been

allocated. But they could -- were those permits to expire then this would become a provision that would apply to new projects.

>> Councilmember Liccardo: Can I jump in?

>> Councilmember Pyle: Sure, absolutely.

>> Councilmember Liccardo: I understand the logic to new projects that would come in after old projects expire. I understand how workable this would be, were we to freeze the frame, understanding where affordable projects are, I got the sense we maybe didn't anticipate the program fully, we didn't expect everybody to be feeling out on the affordable housing. I'm just wondering, sit realistic to expect a full 1600 units in phase 1 when we might expect a majority of the folks who are already entitled to be keeping their developments in place?

>> I would -- if you want to add on, I would certainly say that you know, you get a little bit into speculating on how many of those projects are likely to go forward or not. Certainly if you took from one standpoint the worst case scenario, all the entitled projects went forward, I would really then become that phase 2 would catch up, the differential.

>> Councilmember Liccardo: Okay.

>> I mean, there are some affordable units included in those entitlements. There aren't zero, there's a couple hundred but not as many.

>> Councilmember Liccardo: Most of them are tending to be south of 101. Let Barry Swenson come to us --

>> Right, we have two larger affordable projects are south of 101. Some of the bigger projects in the north of 101 area, the district 4 part have multiple buildings some of which may or may not end up being sold off to affordable developers.

>> John Weis: Councilmember, just quickly, one of the more interesting things is in the last couple of months in my discussions with each of the North San José developers, not all, but some are in fact because of the change in the way deals are working, are beginning to re-think whether or not they -- it's in their interest to just pay the fee. Some are rethinking maybe putting some of the units in the buildings. And they'll make those final decisions when they get to the point where they start construction, which as far as I can see it's at least 18 months away. So we -- we just don't know right now. It's an interesting period of time.

>> Councilmember Liccardo: Yeah.

>> Councilmember Pyle: I think the neighborhood plan, we're in on that. We definitely know that one.

>> All right. I was going to take a minute to clarify, we formerly called this an implementation strategy. And just the renaming was a result of when we decide to move forward with an amendment to the policy, there were some things that were before were going to sit in this same document and once they moved into the policy amendment what was left was clearly addressing the neighborhoods. And that's the reason for the re-names.

>> Councilmember Pyle: Right.

>> And now Dennis Korviak from the redevelopment agency will speak to the redevelopment designs.

>> Thank Andrew. I'll be very brief. There were three main goals behind the design guidelines. One was to raise the standards for north San José. As Mr. Krutko pointed out earlier, the driving industries demand a certain quality level. It is our goal to basically raise that standard to require more intense urban development in north San José. The second was to increase the certainty for development. With basic guidelines you know what the requirements are, when you come in it makes the development easier. The third, which some may perceive is not exclusive to those two is to maintain flexibility. So when you have a unique industry or something that's being tried very differently, how do you make sure that those guidelines are not so rigid that you can't accommodate any type of development. Another thing that was unique and new to San José is that these guidelines are the most comprehensive to planning that had ever been tried in urban design guidelines, that we have married all, the streetscape requirements as well as the design requirements for the public buildings and the private sector whether it's residential, commercial, development, or it's in the public sector, schools, public libraries or community centers. All of those are dealt with, you know, within the guidelines. And that's really one of the areas where we found that it's taken a little bit longer you know to get these guidelines out because we involve every critical city department, whether it's the department transportation, the office of academic development, the office of community affairs, everyone has been involved, except the development office, the mayor's office. We have released the document, in our fourth revision, as a result of that we think we have a much better

document that's more clear. In fact our final revision will not be a new revision, just a short addendum, that will provide for that clarification.

>> Councilmember Liccardo: We have certain areas in our district that are caught in the middle of what is or will be Rincon plan, I know Rome was not built in a day, but I know the target here is get this approved in April, do you see any reason why we can't get this approved in April? Are there any big obstacles or concerns?

>> Not in terms of the policy change, no.

>> Councilmember Liccardo: Okay, great. I know we've got a hotel project and a custom residential towers, they're trying to figure out what their streetscape is going to look like. And it would be great if this is all ironed out by then.

>> Should be okay.

>> Councilmember Liccardo: Great, thank you.

>> Councilmember Pyle: That's good news.

>> In terms of our overall schedule just to repeat that, we have -- we expect to have the final release of the addendum to the guidelines coming out within about the next two to three weeks. We will be holding meetings with the development community up and through actually going to the council but we'll have a task force meeting late in March followed by the Planning Commission and then city council on April the 21st.

>> Councilmember Pyle: Great, that was a wonderful report. Any questions? Sam.

>> Councilmember Liccardo: The project list of which projects fit under the first phase and which ones don't, is that something -- I know that the criteria were part of the policy and so that's certainly public information. But is that list something we're making publicly available to all developers?

>> Yes, very much so. We've kept a spreadsheet on our Website and handed it out to developers that list all the projects and kind of indicates where they -- which of the criteria they meet and so forth. So very public.

>> Councilmember Liccardo: Wonderful, great, thanks.

>> Councilmember Pyle: So I need a motion to approve.

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Pyle: Second?

>> Councilmember Liccardo: We can't pass it though can we?

>> Councilmember Pyle: Motion to accept? Thank you very much.

>> Councilmember Liccardo: Just say thank you.

>> Councilmember Pyle: Okay. And with that are there any people here for the open session, part of the meeting? Seeing none, this meeting is adjourned.