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>> Councilmember Herrera: Hello everyone. I'd like to call our Community and Economic Development Committee meeting to order and ask the secretary to take roll.

>> Councilmember Herrera.

>> Councilmember Herrera: Here.

>> Councilmember Liccardo.

>> Councilmember Liccardo: Present.

>> Councilmember Oliverio.

>> Councilmember Oliverio: I am here.

>> Councilmember Kalra.

>> Councilmember Kalra: Here.

>> We have a quorum.

>> Councilmember Herrera: Thank you. So we're going to our review of the work plan, and there's a request to defer item 2, which is the verbal report on implementation of the North San José plan. That is being -- the deferral was until when?

>> Kim Walesh: Until our meeting in August, Madam Chair.

>> Councilmember Liccardo: I make the motion with one request, when it does come back, that the discussion include discussion around mitigation and the HCP and how that impacts, how that relates to development in North San José. I'm getting lot of questions about it.

>> Councilmember Herrera: Sure. Is there a second?

>> Councilmember Oliverio: Yes.

>> Councilmember Herrera: Any other discussion on this motion on review of the work plan, all those in favor, opposed, motion carries. We're on the verbal report on economic development activities, Kim is going to speak and then we're going to have Laurel Prevetti and Joe Horwedel give us an update on Planning, Building, Code enforcement activities.

>> Kim Walesh: Good afternoon, I'm Kim Walesh, Director of Economic Development, and I'm pleased this month to present a brief verbal report about activities in economic development for the last month. We start as usual some fun facts for you to use. And we'll talk more about this in August, but the CEOs for cities organization about two weeks ago came out with their report, city vitals 2.0. And I have hard copies coming for all the members of the committee. And it looks at the 100 top metro regions in the United States and ranks them. And the San José metro area which is of course Santa Clara County, plus San Benito county, ranks really high on a number of these. I wanted to share two of them with you. Because we know talent is so important. One of the indicators is creative professionals, which is a share of the region's workforce that is in technical occupations as well as artistic occupations. And we're number 1, at 7.6%. And San Francisco is a rather distance second at 5.6% followed by Washington, D.C. at 5.5%. So just interesting measure of talent. Of course young talent is another area of real interest. And they have an indicator called young and the restless, which is the share of your population that is 25 to 34 years old and is college-educated. And we actually tied for third. So D.C. is first at 7.5%, Boston and Chicago are tied at 7.3% and we are at 7.2%. So one tenth of a percentage point, and we'd be tied for second. But my point is, we perform extraordinarily well on young talent as well as overall technical and creative talent. Of course, the last fun fact now is, the quakes have the best record in major league soccer, after

beating Colorado and Salt Lake in the last four days. So just need to point that out. On business outreach, retention, and attraction which really is a core service, we have a target of 250 meetings this year with area companies. And we are ending with 265. So achieve the goal, and just to give you a flavor, we had about 12 retention visits this month. We're working with a medical device company that is manufacturing drug delivery systems, helping them with site selection, in South San José. We had a great meeting with TIVO and learned that they are at a thousand employees in San José. They continue to grow and really be at the lead of media and technology coming together. Continue to meet with a lot of clean tech companies. We met with three solar based companies and we met with a new bank that is establishing offices in Downtown San José. We also continue to work with companies that are moving into the area with site selection assistance. And examples include Turneon Bio-industries, SEA Medical Systems, Grid Alternatives, Aptos Endosystems. So a lot of companies in the medical device and clean tech area as well as traditional IT and electronics. In the expedited permitting programs, that team processed over 40 projects so far in the month of June, and it's not over yet. So some really big and important names you can see up there like Hitachi, Nanosolar, Topanga, Phillips, Adobe. We continue to help our residents with finding jobs, including we received another over $400,000 from the federal government to continue to work with the NUMMI employees. We've had tremendous success, though it's taken some time with getting them skills training so they can get reemployed. And we continue to work with employees laid off by Solyndra and also Cisco. So we work with employees at all skill levels. Most of the employees at Cisco we are working with have graduate degrees and we're helping them with their career search. Downtown, we did a really important briefing with the mayor's office, and Joe Horwedel from the Planning, Building, and Code Enforcement to all the real estate brokers with Colliers, which had really interesting conversation about opportunities available downtown as well as North San José and citywide. As we've said before, that ongoing communication with the brokerage community so that they know what we have to offer and we get feedback from them is really really important. We are also finalizing the construction agreement with 1stAct, for the renovation and expansion of Gore Park, also known as Parque de los Pobladores. So that can be up and running by mid-September for ZeroOne. Last, in the area of culture and sports, we received an award of a $600,000 grant from Our Place. And just want everybody on the committee to be aware that the first project should be in place by the end of the year, and it's an artist whose name is Dan Corson, who specialized in light-based interactive artwork. And this will be a project that spans the underpass of Highway 87 along the river there from Santa Clara to San Fernando, so it will be a very

significant artwork. And last to note, with Planning, Building, and Code Enforcement, we have work with Cavalia, the big top tent show, featuring those beautiful white horses. To permit them on private property. And they'll be, when are they starting their -- July 8th. They'll be opening in San José. That was done in I think record amount of time. July 18th, correction, July 18th. Really high-quality festival coming. So that includes my verbal report. And what we had planned to do, like we did last month, is to follow that with a report about the customer service improvement initiative.

>> Councilmember Herrera: I'd like to stop and see if anybody has any comments about your portion of the report.

>> Councilmember Oliverio: I got one question, whose private property is that where Cavalia's going?

>> Kim Walesh: It is Ellis.

>> Councilmember Oliverio: Got it. So that's available till there's a --

>> Kim Walesh: Until it starts being developed.

>> Councilmember Oliverio: And I really want it to be developed.

>> Kim Walesh: Yes. No, it will be developed. In the meantime they can make revenue off of their property, and Cavalia gets a really visible perfect site for them.

>> Councilmember Herrera: Any other questions?

>> Councilmember Liccardo: Can I ask a question, is that roughly the same amount of space than what Cirque needs?

>> Kim Walesh: Unfortunately, it is much smaller than what Cirque needs.

>> Councilmember Liccardo: It would be nice if we could find a great space downtown for all these events, and support all our restaurants --

>> Kim Walesh: We're working on it. Hopefully, that space will be developed in the next couple of years.

>> Councilmember Herrera: Okay, Great.

>> Laurel Prevetti: Good afternoon, Laurel Prevetti, assistant director for Planning, Building, and Code Enforcement. Wanted to update the committee members on our customer service initiative that was launched a couple of months ago partially in response to this committee's memorandum. With me this afternoon is Pat Saucedo of the chamber of commerce. We have been very fortunate to have the development community's input in the development of the superior customer service initiative. At your place is a summary of the initiative and the expectations of how the city will better serve our customers and really what customers can do to get more effective service from us. There are also attached a detailed work plan that identifies short, medium and long term ideas of which we will be implementing. We've also been very excited about offering some front-end Web-based services, that we're still exploring. So that you way customers can anonymously provide us feedback to which we can respond. But I really would like to give Pat if I may an opportunity to share the chamber's perspectives, and what this means to her clientele. Pat.

>> Good afternoon. Chair and members of the committee. It's a pleasure to be here. First let me start out by saying our development review and regional infrastructure committee did meet with Laurel and the team in regards to the customer service program or initiative that's being proposed. And it was a really good conversation, and I know on behalf of the chamber and the committee, we want to acknowledge the hard work that your staff has put into this, to this point in time. And their goal and intent is to improve the process and the whole speed of business concept and we're very supportive of that overall. And want to acknowledge that. What I've done this afternoon and I actually have copies, is, I looked through all my notes. And we had a number of committee

members there. There was a lot of discussion. And then afterwards, I followed up with a couple of committee members that were not able to attend the committee meeting and get their feedback. And what I've tried to do is take some of the highlights of some of the issues that were raised and discussed. And I tried to break them down into areas that will help to quantify exactly what the committee members were trying to get to and what we discussed as a committee. Number 1, one of the overall comments that was made by all, it was the issue of effective communications. Ongoing, effective communications. And the pivotal word there is effective. In other words, that there's meaning to the communication. It's not just a template or you know a Roto-call or anything but really effective ongoing communication. And then there was some discussion with regard to applicants. I think you're probably well aware as most there are those that have come in that decided they want to start a business they want to open shop they want to do something in the city. And then there are those that basically process entitlement projects on a rather regular basis and they typically are processing complex, difficult projects whether it's mixed use, industrial or whatever. And there was a lot of discussion around the idea of, this staff working to get to know the client so to speak. In other words, maybe doing a short list of those that typically come in as applicants and they have a history, a demonstrated performance history, they get the materials in provide what's needed they work to complete the project and they really are informed. They are informed applicants that staff is dealing with. Recognizing that you also have those that as I say, may come in. They've decided they want to open shop and they're still trying to learn what the process is at the same time. And what's required of them. So what some of those in our committee had suggested was, if there was a way to create what's called an informed applicant list or whatever title you may wish to give it. That basically, indicates that these are individuals that have demonstrated, and I think the key word for the city is, have demonstrated a working relationship that they get the required materials in, they get -- they meet time lines, they understand the process. And what they're hoping is, since those are typically large, complex projects, that there may be an ability for them to have some leeway, particularly when it comes to what we'll call the 30-day letter. That there may be some minor piece of information that is still lacking, but the goal would be, that they still would have their 30-day letter deemed complete. With a time line established, that any outstanding materials will have to be submitted by that outstanding time line. But the process will continue. In other words, it doesn't just stop, until maybe that one map or that one piece of information doesn't come in. So again, they see this as being really critical, particularly to our economic development program as regards to some of these large, complex projects. For the chamber we also feel it's very

important for those other applicants that there's an effort to get to know them, to inform them early in the process, so that they can, in as short amount of time as necessary, get the documents needed, understand the process, and complete their application to success. Because as a chamber, we see small and medium businesses, also, as be very, very critical to our overall economy considering the majority of jobs are with small and medium-size business. So it's kind of a two-pronged approach. Also on the 30 day letter there was a lot of discussion that the 30-day letter be meaningful, that it have good content. That the content of the letter really relate to the application. That it not be a form letter. And that it really -- that there's time taken to really make that an effective point in the process and provide good, valid feedback. It also was thought that we actually had a request that once the 30-day letter goes out, that there be a phone call to the applicant by the project planner to ensure that they received it and to receive any feedback and, particularly, to find out if there's questions or clarifications that need to be made for the content of the 30-day letter. A lot of discussion, the time invested at the early stage will save a lot of time at the end stages of a development process. We also talked a bit about entitlement and inspections, and I know you've probably heard a lot, as well. There was a lot of discussion about providing detailed and documented time lines for plan review, inspections, permit approvals and other requisite project approval requirements. And some kind of performance measures built into that with reasonable time line of the application submittal. In other words, the application comes in, and whether it's at the 30-day letter which probably would be the best, but at some stage, where it's documented by such and such date, they would receive this list of approvals that are needed. As currently seen in the project, and the time line. And an estimated, and clearly, the language could be found that says, it's an estimate of fees, because we all know that that may change during the process. Another being, and I think staff had addressed this as well to some degree, the processing of complaints, so that early in the stage, and again, maybe in the 30-day letter, there be an outline of what the process would be for any kind of complaints and what the resolution process would be. So it's very clear, it's easily understood, by all parties, in the application. And there's no misunderstandings. There was some thought that because the process itself can be quite lengthy, very expensive, all of your permits and so forth, that I know there was discussion at one point about a refund of fees. What I've stated here is if there's a missed deadline that there's a result back to the applicant, that to be determined. And it may be that there's a commitment, that the time line is made up on the next stages versus a financial commitment. But I put that in there as a result to give you an opportunity to think through that and talk with staff and see what that might be. Notification of project being

handed off, with that information provided the applicant and contact information, versus the applicant finding out the next time they check on the project that somebody else is handling the project. And then there was something, and I'll be very honest, I mean, I don't 100% understand, but I know Laurel could step in and save me here. But it's the issue of conformance, planning conformance with plan check. The inspectors in planning and agreement on plans prior to inspectors, did I say that right? There was a lot of discussion about that, and it was felt that by having that, it would remove or at least minimize the number of complaints during the inspection process. It should definitely reduce that number. On the City's Website, it was felt, very strongly, that until the city is really able to upgrade, and improve the Website, that when there is a reference to an applicant on something to check out on the Website, that there be a link to that particular area of the Website, versus just saying go to the Planning Department Website. Interestingly enough some folks that are quite engaged in this process, expressed some struggles once in a while in trying to find what they might be looking for. And then the project conformance once again. Project resolution, a time line and a process for project resolution, something that's delineated and everyone understands what that's going to be at the outset. And a couple of miscellaneous comments. One is that it was made, and I think this is actually in benefit to the city in processing as much as to the applicant. But kind of looking at it, what does the city not need to do? And if you don't need to do it, get rid of it. Because it creates time demands on everybody's part. And then fees, I know in a couple of areas in the initiative there's a reference to fees. And it was just felt that this is supposed to be a working document to process. It's not a budget document. So any reference to fees shouldn't be part of this document. And then common --

>> Councilmember Liccardo: Described by this document you mean this one?

>> Yes, yes, yes. That's what I'm talking about.

>> Councilmember Liccardo: Okay.

>> And commendation, there was also talk that, we had a couple of folks that made some comments that some staff people have really taken some difficult, complex projects and performed very hard, really done outstanding work. And they recognized that it's a bit of a sensitive issue. But try and find a medium at some point in the year

where these staff individuals can be recognized, by the applicant community. Because they feel it's important, you know, everybody's quick to say when something doesn't go right. But they recognize as well and particularly the support staff you know, there needs to be an opportunity to let those know that are really working hard, to turn the dynamic around and move the city forward. They get recognized. And the applicants recognize that and want to be part of that as well. They think it's really important to do that. So that's kind of a summary of the points. I did put it in writing so you could reflect on it. But again I want to reemphasize that the chamber and the development community are really appreciative of this. And we definitely recognize that this is something that will really help us move the needle from our economic development situation and something we're very appreciative there's an effort to do so.

>> Councilmember Herrera: Okay. Thank you very much. I'm appreciative of the fact that we actually have someone from the chamber representing the development community to give that feedback. I think that really shows transparency on the part of our staff. Of really trying to work together. So I'm looking forward to future iterations. I assume there's going to be other meetings and getting together with the various stakeholders to move this thing forward. I think it's a really good start and Pierluigi.

>> Councilmember Oliverio: Thank you. Laurel, based on what you're seeing coming from the chamber, where do you feel are the items that it's 100% concurrence on and those types of things?

>> Laurel Prevetti: Well, clearly the relationship building and effective communication those are things we agree with 100%. Obviously, we're engaged in a larger citywide Website update so we look forward to having more effective tools. I think the idea around missed deadlines and having a consequence, I think we need to flesh that out a little bit more. I know in the past we have tended to make it up, say someone gets delayed on planning we try to make it up on the building side so overall the project delivery still happens. So I think that's one that we'll probably need to continue to work through. A physical refund can be challenging for us but I think having a goal of making sure someone's got their business open by a certain date, that's something that we could certainly work towards. And again, I just want to thank Pat and her efforts working together in the development community

summarizing the good feedback. Because there's a lot of great ideas, and we can easily fold much of this into the work plan that's before you.

>> Councilmember Oliverio: And I enjoy the aspect of the appraising part for those star performers, people that get things done in a timely manner or whatever attribute you want to use. But I also feel in this complaint process if we're going to find it's one individual for whatever reason, is the continuous person whether it's inspector or someone else that's constantly causing chaos in the system, and I know our system doesn't really allow it to be effectively managed as it was in a private organization, trying to figure out, because one bad apple can really make it bad for a lot of applicants. So I'll be looking how we can manage that as well as praising those individuals that do a great job.

>> Laurel Prevetti: Thank you.

>> Councilmember Herrera: Sam.

>> Councilmember Liccardo: I really want to thank Pat, and the rest of the chamber, for their engagement in this process. I think we all know it's very important for the city. And thank Planning staff and all the partners in Planning who have been working so hard on this. I know with Lee's departure it's going to get harder and there will be a lot of folks having to jump in to catch the falling balls. I just had a process question first. This isn't actually -- I'll wait for Ed to -- I just want to make sure. This isn't actually on the agenda, and I had a conversation with Ed Shikada --

>> No, which is why I was going to see how far the discussion was going to go. Because you can ask clarifying questions. You can ask them to comment on something that was already said. But because it's not on the agenda, you can't have any direction.

>> Councilmember Liccardo: Yeah, I understand.

>> With regard to any of the items that are on there.

>> Councilmember Liccardo: Because I actually had a conversation this morning with Ed Shikada, because he called me to really inquire about this. And we both looked at the agenda and said oh, it doesn't look like it was on the agenda today.

>> Kim Walesh: Just to clarify, so we had committed to monthly progress updates on this, and that's why under verbal report on economic development, it says "and Planning, Building, and Code Enforcement."

>> So it is under the Planning department giving you an update. But because this wasn't specifically mentioned there, you can't give any specific direction with regard to this particular process.

>> Councilmember Liccardo: Sure, understood. So just in terms of then providing feedback, it would be really helpful to have this stuff with the packets, I guess, just so we could process it. Because there's a lot here I think we recognize and we all like to be able to come into the meeting feeling able to give meaningful feedback. And so anyway, I would suggest first of all I do like several ideas that have emerged. The idea of providing opportunities for recognition and commendation I think is an important one. And on the question of consequences for missed deadlines, it seems to me I think we all recognize that we're so challenged with budgetary realities, few rebates are very difficult to implement. But what I guess I had encouraged at the outset of this process and I hope that we can get to at some point is focus on those high priority projects that we all recognize are really important for the economic future of this city. I think we probably all have a similar concept of what those are, basically tenant improvements for office, for retail, for R&D, the basic folks who want to move into an existing building and we want to get them moving. If we are going to focused on sort of testing out how can we make consequences real for missed deadlines, focusing on that category, and seeing how we do. You know, and then we can focus on a much bigger challenge. But it just seems like in a world where 9% unemployment is roughly what I think we are in San José, I know it's lower for the county. Just really narrowing in on those would send a great message out there for all the folks creating jobs.

>> Councilmember Herrera: Thank you Sam. I guess we can ask questions about it but no direction on it. So there's a lot of great ideas in here. I'm wondering in terms of the missed deadlines, I think I'm hearing we sort of try to make it up which is sort of crediting it going forward am I wrong to think about it that way?

>> Laurel Prevetti: That's correct so --

>> Councilmember Herrera: I think credit if we can't look at fee refund maybe credit towards that same project or another project. I do think there needs to be some accountability. When there's accountability then change happens. Without accountability it's not going to happen. We have to have some way of doing that. But I think it's great again that the two communities are working together because then you get faster ideas and figure out if they can work or not because there's issues on the side of the city which can make certain ideas coming from the private sector unworkable. I think that's important. In terms of people understanding how to work the process do we already have a web tutorial for people?

>> Laurel Prevetti: That's something that we're working on thanks a grant that Work2Future recently received. Thanks to that grant we're hiring somebody who I think starts tomorrow to assist us with that project. We do have a long way to go in terms of having the basic tools readily available. So whether someone starts at planning or building or elsewhere they'll have a road map of how to get through the process.

>> Councilmember Herrera: I guess what I'm saying to you is I'm getting back to the informed applicant or the frequent flier or the approved client, or whatever you want to call them, somebody who knows the system, has been through it, understands it, is going to cost us less to work with because they know what they're supposed to be doing. So I think our goal would be to get as many people not that we're going to spend the same amount of time on every project because as is already pointed out, Sam's point is well taken, there are certain critical areas that we need to move forward. But I think we all should be working towards educating our customers so they don't take us so much time because there's a learning curve there. So I'm wondering if we have a way for people to have a path towards being an informed applicant. At every stage. Not just the big projects but some of the smaller customers too. Because my experience in business is a lot of times you spend as much time on some of the

smaller projects or more time than you do on some of the bigger ones and you don't get the same return. If we can have you know some way of giving them a path of a tutorial or something so they could become informed I think that would be really good. I think that was mainly -- I really like the ideas and I hope -- is this going to come back? How will this come back to us where we can take action?

>> Kim Walesh: I think what we should do is we're in the process of developing this committee's work plan for the August through December period. And we should look at agendizing this, perhaps on August and September, perhaps even monthly so that we can be in ongoing communication. Because we clearly have a lot of great ideas. I think we have a very meaningful partnership with the chamber, now, representing the applicant community that the devil's going to be in the implementation details, as we all know. So if we can continue to talk about implementation I think that's really important.

>> Councilmember Herrera: Yeah because I hear all the time in the community people ask me about they put a project through planning and building and here's what happened, and everybody has their stories. So I think it would be good for us to be able to give them some information on customer service and here's the best route for you to go and learn about how to be effective you know with our Planning Department. Thank you very much for this, very good.

>> Laurel Prevetti: Thank you.

>> Councilmember Herrera: And we are moving on now to item 3, strengthening manufacturing in San José. And Chris Burton.

>> Kim Walesh: Great, we have been looking forward to having this on the committee agenda for quite a while right now. We have, in the economic strategy, we had clear direction from you to figure out what we need to do to support and strengthen manufacturing in San José it's also in our 18-month work plan. And this presentation today, I think, is a culmination of about a year's worth of work of really serious outreach to the manufacturing community. And commissioning of a special study by Work2Future which you have attached. And so we have

Chris Burton, and John Lang from the Office of Economic Development, who headed up the team that involved I think everybody in our group. But they put a tremendous amount of time and effort into this. And then we're very pleased to have four representatives of the private sector who are actual real live manufacturers who they can tell you how they see the world, and what we need to do to better support their growth in San José. So Chris is going to be our MC and they're going to make some opening presentation and then they're going to introduce the panelists and they'll make remarks and you'll have an opportunity to interact with them.

>> Councilmember Herrera: I just want on behalf of the committee, welcome you, representatives of the real world, look forward to having you.

>> Thank you, Madam Chair, committee members. Chris Burton Office of Economic Development, as Kim mentioned I'm here with John Lang. The other person I want to mention briefly who also put an incredible amount of work in this is Chris Green, signature in the back hiding now. As Kim mentioned this has been a whole team effort, everyone in economic development has had an eye to manufacturing this past year and this starts to represent a very interesting and significant body of work. The reason we got to where we're at today, there's a specific line item in the economic strategy that talks about strengthening and supporting manufacturing locally. This is really the first attempt to pull that out as a separate item, to focus on it, to focus on the importance of it in the local economy. To find out and learn as much as we can in that process and bring forward recommendations and strategies on how we go on supporting that and ensuring that it remains here. So just a quick note on format. We're going to try and run through as quickly as possible our staff presentation because we have more important people to speak here today. So what we'll do is run through the findings, run through the recommendations as quick as we can and then allow the panelists to talk a little bit about their companies and almost in a panel discussion format we'll throw a couple of questions their way to try and pull out some of the key points around this subject and then open it up to your questions and comments. So with that we'll jump right in. There's nine findings that we found were particularity significant in our research. Number one was highlighted very recently by the Brookings institute. The San José Metro Area ranks number 2 of all the top 100 metro areas nationally for specialization in manufacturing. It's a fascinating statistic but what does it mean? You know you could have two very large plants in a city and that could be your very specialized in manufacturing but what's

importantly to understand about San José is we're incredibly specialized among high technology products but we're not specialized in one specific areas. There's actually 29 areas that we're specialized in across Santa Clara County. There are about 840 companies in San José specifically that represent 25 of those sectors. And it's really the intermingling and the connections between the different groups that make this such a rich and dynamic cluster around advanced high-tech manufacturing locally. Number 2. When you look at manufacturing specifically in the local area, we fared much better than the national and state statistics. Between 2005 and 2010, the nation lost jobs in manufacturing at a rate of 19.2% and California lost jobs at the rate of 15.4%. In San José, the loss was only 9.2. And that's reflective of the type of manufacturing that's here and we'll get to the sort of increasing nature of that specialization which has an influence of why we have lost jobs at a slower rate. But also, it's interesting to look at how manufacturing is contributing to the local GDP. So the output that those companies are having on the economy and whereas statewide and nationwide it's around 1.5%. In San José manufacturing represents 8.7% of all local GDP. So that's a significant cornerstone in the local economy that's producing revenues and producing investment that's not seen elsewhere in other economies. So sort of continuing on that point it does provide significant value to the local economy. When we talk about specialization it is an economic development. It really represents the proportion of jobs that San José has in a particular sector. Again, the proportion of jobs nationally. And so if we have a high proportion of those jobs we're specialized because it's seen as the local economy is creating more product or more activity in that area than is needed by their local economy. So in that essence we're exporting products, we're exporting -- we're exporting into the domestic and international markets and that's resulting in indirect and direct employment and also revenues in San José locally. Manufacturing also, you know, as is well documented, provides a good range of jobs. It's not just the very high tech research and development. There's jobs right across the spectrum through to production and assembly. I would take a quick note. In the report there is a note on average wages. For manufacturing industries that's a number we continue to refine. I know we've had feedback from a couple of the folks on the panel and some other people that said they seemed high, and part of that is because those numbers are skewed by the large amount of computer related and peripheral equipment manufacturers locally. We have a large amount of jobs or a larger proportion of jobs in the management, administration and research and development side versus the production side. So that's thrown those numbers off quite significantly so it's something we are continuing to work on to identify. So then in the last years worth of outreach what we came to realize is beyond the very individual sectors for our purposes we found

that there are three real groups of manufacturing that occurs locally and can really be grouped into the OEMs, the original equipment manufacturers, the folks who are producing products under their own brand. There's the contract manufacturers who are manufacturing service providers working with other OEMs, or equipment, or product producers. And then lastly there's this rich ecosystem of supply network manufacturers that either build componentry or specific parts or a key part in the process that feed into the process of the other two. The reason we started to look at this, this isn't defined anywhere else, the reason we started to look at it in these three categories is it gave us an understanding of how these companies knit together. We can talk about the 840 specialized companies or the 2500 manufacturing companies more broadly and it's very hard to track how they work with each other and this gave us a much more general understanding of that process. It's worth noting that companies often fall into more than one of those brackets, compensating on the product line and work they'll be doing. The next line really points at that San José is not only specialized in the type of manufacturing related to product, it's also specialized around their process. Full scale manufacturing takes an idea, works it through a process, and then ramps all the way up to volume production. What really occurs in San José is the front end of that process. It's something we have learned that's actually called the new product introduction process. And it's basically taking ideas, developing them into concepts and beta testing them, alpha testing them into new concepts working with the production process around that before they go to volume ramp, which is often in lower-cost locations either nationally or internationally. And that is really the niche that San José plays a role in and that's in the involvement so much of the manufacturing that occurs here. And so that results in the notion of high cost high value manufacturing. That it's high mix low volume manufacturing, there's a lot of products, it's small runs, it's individual pieces. And that's really the critical part. And the other, the piece to note here is that San José obviously remains an incredibly expensive location to do manufacturing. When you talk about the balance between volume and cost which really drives the production, doesn't really make sense here so the value is very much higher because of the proximity to R&D process that's held her locally. In our work we found that local manufacturing provides a very important resource to a lot of the emerging technology companies that are located here. When you 30 of the process of new product introduction especially on the contract manufacturing and the supply network manufacturing side that's a very important resource to small companies that may not necessarily have the capital to invest early in their own manufacturing facilities, that may not also have the expertise to really bring a product fully to market. So there's an important resource that we want to highlight and work with in our

ongoing work and understand the dynamics of how those two groups work together. Because we see that as a -- playing a critical role especially around clean technology and our medical device and the ongoing work around information and communication technologies. In combination with Work2Future we did complete a report earlier in the year that focused more specifically on contract manufacturers but has implications related to workforce across manufacturing. The research there pointed to you know, workforce continues to be a very important part of the reason that manufacturers are located here. But there is difficulty in hiring some of those positions. Especially some of the key positions like electrical and mechanical engineers, designers, machine operators, quality control technicians and assemblers, and at times there are skill deficiencies between the people that are coming out of colleges or the people that are available to that workforce, and the types of workers that manufacturers are looking for locally. So that was an important piece of information that we wanted to highlight also. Beyond that we've started to look at the sort of physical nature of manufacturing locally understanding that the cities had taken great strides in improving its industrial policies around land use. You know we have a strong focus in the latest general plan about preserving industrial lands and we thought it was really important to really look and understand the physical nature of manufacturing which is sometimes not fully expressed to the extent we talk about industrial lands. What was interesting is when you take all of the companies, all of those 840 companies that have either 50 or more employees, the average building size and building age was about 100,000 square feet, single story, 26 years old. So they are all in aging buildings, and there's really a lack of investment out there right now in the types of facilities we would see our manufacturers going into. If you look at the trends of real estate over the last three to five years it's certainly been a move to the more office environment in the industrial lands and that's something that we certainly need to be aware of if we're going to maintain support and help strengthen manufacturing locally. And then lastly the other finding we found is that we're out there doing outreach and as we were there we started to realize that while we have a lot of programs that have their base in manufacturing, either companies weren't aware that they were available or didn't necessarily understand the full benefit or full value that was available through those programs or find them hard to access. When we talk about programs, we're talking about programs like the foreign trade zone, like the enterprise zone, things like the Work2Future program that can match employers with employees that are available in the workforce. And so really that's an area we need to focus on in the future to help broaden awareness around key programs that can help reduce operating costs, minimize down time, and speed the hiring of quality workers. So that's a very quick sort of overview of the sort of

findings in the memo and I'm going to hand it over to John to talk to some of the recommendations that we came to out of that work.

>> So based upon all the findings like Chris just went through, we've come up with basically five recommended strategies that they should continue to engage in and strengthen to continue to promote manufacturing in San José. So the first one kind of picking up where Chris left off is use making the manufacturing sector more aware of our city programs. We seem to know our programs very well in this building. But outside this building, there seems to be a lack of communication with folks. So doing a better job of not only providing our materials electronically, and in person, but also making sure the staff that work with businesses, in all of our departments, understand the different programs that are available for business. So whether they're working with a water issue, a permit issue, that they can help inform these businesses, hey, there's an opportunity out here. The other thing we would like to do is actually be a little more straightforward in monetizing what these benefits are to these companies. We can say enterprise zone, but what does that mean? Really putting that in some type of monetized fashion so that companies really do understand there is a big benefit here to utilizing these programs. The second recommendation really focuses on how we can provide more synergy as the city being a public organization, and most businesses have to come through the city in some fashion whether it be business tax permits, how can we better match up and connect folks looking for services, to the gentleman across the way here, tapped services that they provide. Where can we provide more glue in that system? So working to coordinate more business events, whether it be through Work2Future or some our incubators to really match up the providers of the service with those that are looking for it. In addition, we have a great opportunity with prospect SV and the clean tech demonstration building where we'll be looking to commercialize, where companies will be looking to commercialize the product whereas the natural tie in to the manufacturing sector. So there are great opportunities there. Recommendation 3 is really focusing on kind of the workforce side. Work2Future as Chris mentioned does provide a great deal of services to businesses. And we've heard from severely manufacturers that there is a skills challenge here, and how meet those goals of manufacturers. So working with the local universities, local community colleges, providing programs and services that support the manufacturing base. The fourth recommendation deals with preserving land use and solidifying transportation corridors. The council made a very strong commitment in adopting the envision 2040 but making sure we monitor our land use and making slur we're

not putting uses that are in conflict with one another but also strengthening our transportation corridors, making sure there is good access to manufacturers, that there are truck corridors that can provide services to these businesses and get the goods to an fro where they need to be. And finally the last recommendation is, to continue to work on the policy front, informing both the state and national legislatures of the role manufacturing plays in this valley and how critical it is not only to the local environment, but also to the state and national. And this would be working with our partners to identify areas of legislative advocacy as well as opportunities to partner with state and federal offices regarding advanced manufacturing. So that wraps up our recommendations. We'll be moving into talking with the local manufacturers.

>> Right, so what does it all mean? It's great to be able to have the time and resource to go and do a piece of staff work like this. But really, where the value for us has been going out and talking to companies and getting that deeper understanding of how this process occurs locally, what occurs locally, what it all means. And that's why we're very pleased and honored today to have a very distinguished group of representatives with us to talk through this. I'll do some very brief introductions, and then we're going to walk through a couple of different pieces, and then we have also a couple of questions to ask. First I'm going to start with Joel Boosters. Joel at the end here who is the vice president and general manager of SMTC, who is an electronic manufacturing service provider located up in North San José in the Northeasternmost part of the International business park. SMTC were one of the first companies we started talking to on this journey and been a great partner right the way along. Joel actually brought some information that he's willing to share with us today about their operations. I'm going to hand it over to him to just walk through that very quickly.

>> Thank you very much. I think some of it may be repetitive so we'll just kind of go through it real quickly. So we're just to go through it very quickly. So if you just go ahead from a definition perspective, I think you already covered what you know, an EMS and ODMs and everything else, so we'll just bypass that one. I think one of the things that you'll continue to see between 2010 and 2015, especially for a contract manufacturer, you know, it still continues growing market. It's not as fast as it was before, but you know there still is a place in a continuous trend upwards as you go either for the service manufacturing or the ODM people today. So the trend is still to grow into 2015. Trends from a geographical location, you know North America continues in the projections it would be to

continue to grow in our market about 12%. Asia continues to grow, but it's becoming a more challenging area to do business with, with many large taxation and issues sorted with China going forward. Mexico, it has its own problems, and again it's becoming a much closer partner, because again, rising labor costs in China, landed costs we call it are bringing back volume into the U.S. It is pretty comparable if you do them across the border. Europe, for us, as SMTC, it continues to be a lot of the stuff that's going back and forth with euros and, you know, monetary fluctuations and everything else, it continues to be challenging to see that that's really an investment that we want to continue to make in Europe going forward. So for us, again, it's you know the benefit for us as a contract manufacturer, we do allow, we provide as they said, the OEM or the people that actually design the product. We give them the ability and the know how, we bring in the market footprint, manufacturing know-how, allows them to go quicker to market, focus on product, and at the same time flexibility and give them the quick turn to be able to ramp to volumes. One of them mentioned cash sometimes for startups is always a concern. So you know in the contract manufacturing side of the world we would fund some of that to facilitate the growth. We provide manufacturing footprint, where they don't need to put their own manufacturing sites. Let them focus on R&D and the thing that they're best at. And again using our buying power globally for us or any of the contract manufacturers around the world is that we bring scale to be able to purchase raw materials. And so that is also another benefit that we provide all the new emerging technologies in the valley. For us, you know, it's -- as you can see, when you go through what type of products the contract manufacturers work in, consumer, self, PCs, automotive, so the -- and green, this is kind of where we play in. We don't do medical, we do industrial, we do service, storage, communication, aerospace and defense. And we really do not go into some of the other, more common consumer type products, as SMTC. So how does it fit? I mean, there is quite a few contract manufacturers. A lot of global ones. They're divided in two sections. One is, call it tier 1, and those are the FlexTronics of the world, J-Bill, Solestica, Zaminas, and then there is the second tier, the smaller players, and that's where we fit in. We're in the second tier, our revenues are about $300 million, where the other ones' revenues are in the billions. So for San José, you know, we're -- we're right in the heart of Silicon Valley. And the reason is again, part of -- a lot of the getting in line with a lot of technology, a lot of the development that happens here, to be able to incubate that with our customers and be able to deploy and ramp them all the way to production as we just saw a little bit about a new product introduction. We were about 80 employees before locally, and we did a acquisition in 2011. We integrated that acquisition, we did a total investment into the site of

over a quarter of a million dollars. We're still looking to expand. We're looking at clean room technology. We spent you know quite a bit of money on a clean room facility. And we're still looking for investments. And we believe that the site as a whole currently is about $40 million, and by the end of the year probably be closer to $100 million and about 300 employees at the site. The rest is equipment and stuff that gets used in the process, so you can go ahead and go through that. Some of our customers you might recognize, Enritz is a big customer of ours that is in the Gilroy Morgan Hill area. Blue Coat is in the Santa Clara area. Questron is actually an international company, and they're based out of New Jersey. NPR Red Line Communication is also kind of a wireless product that we do here in San José for them. Topcon is a global positioning system that is, they're located in Livermore, and Bulcera is one of the companies just went public not too long ago, based here in Santa Clara. That's kind of a quick overview of SMTC.

>> Thanks, Joel, very much appreciate that. And I want to give one plug with SMTC. We're working with them currently on their open house, for August 16th, which the mayor will also be attending, that is an interesting event. And on that note, Joel, can you talk a little bit about how you build those relationships with the emerging tech companies, how you are making those introductions and connections right now?

>> Yes. A lot of it is also, you know, having been working with them or being in an industry and then you get to, you know, it's a lot of relationship business going forward. So when, you know, the key for Silicon Valley is, everybody kind of moves every three or four years. So you get new leads on an ongoing basis, so the relationship is always keeping track of your database, keeping track of the people you have done business with, and it's a lot of referral business. You do go through, you know, we don't advertise in magazines or any of that kind of stuff. It's all going through and getting former people you did business with, new people that you want to do business with, and invite them, and try to get that relationship established. And give you the opportunity to show them your capability.

>> Great, thanks, Joel. And I will note, that joined today, it wasn't originally in our plan, Jim Handyside, sitting next to Joe, is actually from Solestica, so whereas SMTC is in that tier 2 bubble, Jim represents that tier 1 bubble, and we appreciate him joining us today. He was -- I'm not going to push him straight away. I might ask him a question

at the end. I know he was not that interested in talking today. So from there we're going to move to Jeff Berg, with AirTronics.

>> Councilmember Herrera: I think he wanted to add --

>> Oh, yes, please do add. We would love it.

>> It's funny, because if you look at Joel's presentation, you could take ours and just kind of lay it in there the same way, pretty much all the same thing. We're all -- I think we're all the same bells and whistles, and really what differentiates you from your competitors is relationships like he said and the way you handle the people and the way you treat your customers. Our facility here has gone through a tremendous transformation over the past probably past two years. I'd say probably good a year ago, we were ready to close the facility down locally. Still have a huge presence globally but locally we had lost a lot of business, offshore, kind of our own fault because what we had done, we had taken MPI business off shore and launching it off shore, the big ticket dollar customers we had decided to do it all offshore. So we've started a rebuilding process. We have been fortunate now, we had five surface mount lines. We went down to two. We've now put a $5 million capital equipment budget in place. All the new equipment is coming in. We're back to five lines again. We will be as of August. We have a new customer that's part of this made in America initiative that they have going now, which is really good for everybody I think in this room. So it's helping local suppliers get back into business again. From sheet metal, plastics, whatever it might be, components. And it's taken our facility and done a completely turn around. We were down to 40 employees and now up to 120 and growing. So it's amazing. And we're seeing a lot of stuff come back from offshore. Like Joel said, the costs are not as attractive as they used to be and it's coming back.

>> Councilmember Herrera: Is that volume, or just -- we are talking about small revs, but are we looking at volume coming back, too?

>> This is -- no, so I mean, our facility is primarily new product development, you know, launching with startups. The biggest problem we have is startups do have a risk, and the risk is the funding. You know, you can't

fund too many at one time. Otherwise, if you get stuck with one you could lose a lot of money on that. You have to be sure that whatever that customer is, he's got a good product and a good future before you do the startup with them. But our business now is primarily ongoing production business now. Which we're -- and I can't announce the customer. It will be announced probably within the I would say the next 30 days, the product and the customer will be announced within 30 days.

>> Councilmember Herrera: You're saying that's being done here?

>> It's being done here.

>> Councilmember Herrera: And that's volume?

>> That's volume. [inaudible]

>> Can't say.

>> We are actually keeping into the medium volume range locally. Where before, it was just new product introduction. Now it has moved into medium volume. When it's still very high volume it still goes offshore. But the move of medium volume going offshore has come back pretty much to stay in the valley.

>> Just a quick editorial note on both Solestica and SMTC, we keep seeing this significant presence related to contract manufacturing to the EMS providers within San José. Solestica in 2011 were the fourth largest EMS globally based on revenue. If you look at all six of the top 10 global EMS providers, they all have a presence here in San José. So it really speaks to that MPI process, to the type of work that's going on, and the depth of that resource to the local economy and its importance. So from there, as I was about to mention, we will move on to Jeff Berg with AirTronics. AirTronics has been in business in Silicon Valley since 1960. They're a sheet metal production facility with some other services as necessary, as I'm sure Jeff will mention. Jeff, why don't you give us just a brief introduction on AirTronics.

>> AirTronics Metal Products. We're located in South San José, we're on Senter Road right near the ballpark. Like Chris said, we have been around a long time. We are the third owners. Only had two previous owners before us, we -- me, it's me and my two partners -- we used to be executive staff at AirTronics and bought the company from the previous owner, who had had it for years. We have no global presence. We're a local company. We do ship internationally mainly because of customers that have been purchased by larger companies and have a global initiative. Therefore, products are now made offshore somewhere, and we get to do the things that we either -- we can do it better than they can do it, or we can do it for at least the same amount of money as what they're doing it offshore. Other than that, that business is gone. Most of our volume work has left. We used to do a lot of volume work. And but for volume work for us, it was you know we would make a thousand parts at a time, 1500 parts at a time and now it's all low volume high mix. We do have some volume still, don't get me wrong. Medical, some of the medical customers still like to have things made in the U.S. Aerospace industry also. But other than that it's pretty much gone. Telecommunications, all the network being companies is all gone. We very capital equipment intensive. Our equipment is very expensive. It takes up a lot of room. Very hard to move. You can't just pick up and go. I mean typical piece of our equipment's $750,000. So we invest periodically. Not regularly. One of the big advantages to us, in San José, is the enterprise zone. We use the enterprise zone. We take full advantage of the enterprise zone and as I've said in the past and still continue to say, if there was no enterprise zone, AirTronics wouldn't be in California. We'd move in a heartbeat. We'd go to some other state. It's just too expensive without the enterprise zone. It has a great deal of value to us. Fortunately, it's the only one I'm really aware of and use. I would like to learn more about these other once that are available. That would help. As far as new business, there is some like green tech companies that are coming up that one in particular that we're helping along. We're going to do, actually going to set them up for manufacturing art our facility as well as do all the metal. We'll do all the assembly work also. Skilled workforce very hard to find. Our workforce, our current workforce in the shop mainly what I'm talking about our shop force because they're the majority of our people. I'd say the tenure is probably 15 years with AirTronics. Hard to find shop employees. We're not looking for college graduates. We're looking for people come out of high school, maybe trade school, community college, things like that, that would like to learn a profession where they can make money and have a prosperous employment. And currently very difficult to find.

>> Councilmember Herrera: Can I ask what is the main skill that you're not finding, that you're talking about high school graduates?

>> Machine operators, machinists.

>> Councilmember Herrera: If they are coming out of high school?

>> They don't even want to look at manufacturing at least as far as from our experience. We just don't see it. They'd rather go work at a department store or fast food restaurant as to come work in manufacturing.

>> Councilmember Herrera: So you're just not getting them, coming out, or they don't have the requisite skills, or the math and the basic skills?

>> Both, right. And the majority of our shop workforce is Hispanic. We do have other cultures as well, but mainly Hispanic. And in some cases, they don't necessarily understand or can use English. So that becomes a challenge. We have to do our work instructions not only in English but also in Spanish. It takes extra time but worth the investment in the long run because we get employees who are willing to stay with us. We also work with a community -- excuse me, not community college, local colleges. Stanford, Santa Clara university and San José State. We personally conduct tours every year, at least eight between the three colleges, where we're getting engineers coming through. And the one thing that always amazes them is that there actually is manufacturing in Silicon Valley. They walk through that door and they're just amazed. Their jaws drop. They can't even believe that's going on in that building. And if you just drive by your building, you'd never know. You'd never know there's manufacturing going on in there. That's way it is in all the sheet metal shops really. There's a lot of manufacturing going on in the Bay Area and in San José. It just isn't known. I had one of my large customers once tell me that we were the best kept secret in Silicon Valley because nobody knew about us. That started me on a whole different process I won't go into now.

>> Jeff, you may go into the award you just received.

>> Fabricator of the year.

>> Nationwide.

>> Nationwide. Went down to Arizona to receive it. In fact I have to go to Florida this year to present next year's, whoever the next year's winner is. That was a good feather in our cap, and we worked hard to get it. So there's a lot of requirements that go into that.

>> And Jeff, any of the other sort of key changes that you've seen? You know you guys have been in business now 50 years and you talked about the shift high mix low volume and you also talked about the shift in workforce that are there any other trends? I know that when we processed a lot of our data it became an area of concern around sheet metal shops and those kind of you know operations. We talked earlier about one of your competitors that's now actually headed out of business.

>> That's correct.

>> So I mean it seems like that industry is in decline. Is there more you can say about that?

>> I think it's an area that if you can't change, if you can't adapt to the way this valley's going, you will not succeed. You have the small shops. Five, ten, 15 people. And then you have the shops kind of in our size, between 80 and 150 employees. And then you got the large shops. The small shops typically can react because they usually don't have a large customer or several large customers that they need to support as far as regular manufacturing goes. They are good for the quick turn prototype work. And we even use some. If we get a job in we just know we can't turn it, we'll sub it out, have someone else do it, where we know they can. It becomes a balancing act as far as taking care of your customers, that are your bread and butter, they're the ones that are keeping your doors open. You have to keep them satisfied. And try and develop new customers which all new

customers are quick-turn, is what we call them. They want parts within a day to a week. And they want something to be right. So -- and it's typically no development after that. I mean you're going to help them through their MPI process, you're going to help them with their design and then they're going to go away. But you know this going in. It's just the way it is. If it's not an item anymore when you're going to develop an OEM. I just don't see that happening.

>> I think a lot of Jeff's challenge too is being just in the sheet metal end of it, is a lot of the tier 1s like Solestica, although we aren't are vertically integrated now and all that stuff is offshore right? So that has become a real challenge for Jeff and guys like him because they are competing from the guys who were buying from them originally.

>> Councilmember Herrera: Can I ask, if the sheet metal shops are going away though locally, is that going to create a problem with some of the volume coming back, are we going to -- is there any opportunity here where the industry itself would need -- would recognize the need for having some of this industry state be here?

>> Depending on the products coming back yeah, absolutely it would help, definitely help. Especially the made in America initiative I think. Because I don't know if there's a clear definition of made in America at this time or whether it should be manufactured is how much of the content is actually made in America or manufactured, right? And that's what the -- I think what the ODMs are struggling with is, what does that really mean for them? Like us, can we bring the circuit boards off shore, bring it on and do the final assembly here, or can we, you know, build the whole thing offshore and do the test configuration here? So for them, that's what they're struggling with, right? But definitely, I think the smaller industries have really been impacted by the vertical integration across some of these tier 1s.

>> Oh, yes. Definitely, had a negative impact.

>> Great, thank you. And so lastly I'm going to turn to George Horvath who has joined us today. George is the vice president for global real estate and site operations for HGST, formerly known as Hitachi GST, but now a

Western Digital Company, and probably one of our -- or probably our largest manufacturing campus down in Edenvale. George, probably over -- I'm trying to remember -- I did have the employee count in mind.

>> It changes. I think right now, before the acquisition, we were close to 30,000 employees. Combined now we're close to 100,000 with western digital.

>> Represents one of the larger employers in San José, and the sort of implication of that on a global scale. So George, I don't know if you wanted to give an introduction to HGST's operations locally.

>> Sure, sure. Combined now we're over 10 million square feet and would I say roughly half of that is clean room environment. We have wafer fabs which is pretty much, semiconductor industry. We have a lot of class 10,000 and class 100 cleaning, full gown facilities. Here locally in San José we have the Cottle Road site which Ash is familiar with. It's the old IBM site, that's where the disk drive was invented. Back -- and IBM has been at that site since the mid 1950s. Hitachi Global Storage Technologies bought out the division, the hard drive division from IBM in 2003. Turned that business around and then Hitachi divested, sold the division, the branch to Western Digital, it just closed in March. So we're in the process of understanding what the combined companies will look like in terms of leveraging the synergies, leveraging the operations, looking where we can be more competitive. Everyone here is in a highly commoditized business. So every percent you can make every penny you can generate in terms of revenue, it helps. So we're struggling. You know, the other thing is you were talking just realized up until the merger up until maybe six months ago, three of the top five hard drive businesses in the world were here in California. With HGST Seagate and WD, which is out of Irvine, so our headquarters is now in Irvine. So one of the things I'm -- we have roughly 150 acres now on Cottle Road down there, and we use about between a million and a million and a half square feet of the site, depending on what we have there in any given time. We're right now looking at a way to consolidate Western Digital facilities in the San José area, and our headquarters, the balance of our headquarters function. We have a very large R&D facility up there. These are research fellows, these are pretty much institutional guys, multiple patents, all they work is IP. We are going to bring them down to the main campus. So I think at a future state here it could take several years to get to that point. Because I would envision anywhere between spending $100 million to $200 million to make this all happen

over time. And we're not going to do it all at once, it will be a phased process. We struggle with similar challenges. The site's very old. The infrastructure is aging. What we've done is we've leveraged the capacity from the prior site, from the old IBM days, and we've actually just you know let things break, and we've managed to just keep what we needed operational. At some point here going forward we're going to have to change that a little bit and invest heavily in new infrastructure and bringing the buildings back up to a level of standard that the employees are going to want to work in. So I'd say over the next couple of years there's a lot of opportunity going forward to not just consolidate, but just attract new employees. We do -- you asked earlier about some of the challenges. We have lot of open reps for engineering community, a lot. And we're not able to fill them, so that's a little bit of a challenge. We are definitely more aligned with an R&D, I think similar to your statement 5 there very familiar. We're focused mostly on development. We do still have a wafer fab down here in San José. I don't think that's going to move any time soon. But again we have to finish going through our consolidation, evaluation study evaluation process but those are very, very expensive to move. WD does have a brand new facility or a facility that they've invested heavily in up in Fremont, another wafer fab. But we have two now. Literally, you know, bicycle distance from each other if you're a good rider in a day. But we're both in seismically active areas. These are key business portions of the process. So we're a little worried about that. So -- and then we have Thailand which is a whole different -- so yeah, between the earthquake in Japan, and --

>> Councilmember Herrera: Tsunamis.

>> And the tsunamis. Our component business is what was impacted mostly on the HGST side. WD, they got hit by the flood in Bangkok pretty significantly. So but just in closing, what I'd like to offer is over the last seven, eight years, the city has been working closely with HGST to actually re-entitle a portion of the existing property. It was 350 acres roughly. We carved out 135 acres of that and re-entitled that. Most of that's been sold now to developers. You're familiar probably with a lot of the names of those developers. You're going to get a mixed use environment community there. It's a transit corridor so it's -- there's a lot of opportunity to create something really, really nice in that environment Edenvale area. One of the things we're concerned about though is it's almost like you put an airport in an area where you don't have anything around you and then all of a sudden the residential starts to move around and then they complain about the airport around then the airport can't operate. So I think

we're in a similar -- in a similar situation where we're concerned a little bit about what will growth mean to us going forward in terms of limiting our ability to go ahead and manufacture or perform. So I would say your folks have done a good job of managing our expectations, they're keeping us apprised in what's going on in the area, not only in regard to our properties but the properties we're recently re-entitled but to the properties of our neighbors as well. And I think the other area where you've been very helpful is the fast tracking on a permitting process. You've probably been more involved in it on the redevelopment side with Hitachi more recently. But we're anticipating we'll be able to leverage some of the prior relationships we've developed, and we'll fast track some of our capital projects as they start to kick loose as well.

>> And both HGST and Western Digital are regular participants in the industrial tool installation program, so they come through our expedited permitting lines on a regular basis to changing out equipment as well. So I know that's been a value and I've talked in the past about that.

>> Significantly. Yes.

>> I think we just finished talking about permit process and I think it's not consistent across the board. You know I mean we got to meet pretty much as we were at the end of our renovation and everything else, and ours was kind of the opposite to that, right? I mean there were a lot of delays, a lot of three, four days, standstill waiting for permits and so on and so forth. So I think some standardization, especially to get manufacturers up and running is, every day that we lose, less investment and less employees can be hired along the way. And so I think you know, I guess I was -- after I met them, one of the conversations that we had was that, you know, after we were trying to expedite something they said well you know that's what the political guys say but you know, the guys from the permit departments and everything, you know, in signing off a lot of the stuff says here we have our process and procedures and we're not deviating from it regardless what the mayor tells you or whatever. So I think there's still a disconnect at least from that process. And, you know, he's much bigger than we are. So I'm sure he got more attention. And better service. But you know when you get to the smaller, you know, you definitely don't see that, you know, that same thing across the board. And that's probably something that you should look at.

>> Councilmember Herrera: Thank you for your candid feedback on that. Are we ready to go --

>> Absolutely.

>> Councilmember Herrera: I'm sure we all are going to have questions. I just want to say thank you for sharing about your business and your experience in San José and giving us some real life information. I'm going to turn to my colleagues. Pierluigi.

>> Councilmember Oliverio: Thank you all very much, good to hear. I spoke to a CEO recently who said, you know, we really wanted to make it here. But even if I took it to Sanmina or J-Bill based on what they did, photonics, the only choice was China, because all the global EMS providers that's where they were specialized in, so that's sort of interesting. So I'm hoping that Solestica is nabbing that photonics customer and making the investment because there's one in your neighborhood.

>> Yes, it's interesting, I mean, we've -- when I joined Solestica, it was about two years ago. Part of the initiative I had was to grow the local site. Unfortunately two years ago everybody was still looking offshore, and every opportunity that I brought in ended up being you know going globally. Even -- we closed on a relatively start-up solar company, and it was about an $80 million opportunity. And we tried to -- we convinced them they should be -- or tried to convince them they should be close to home. But the problem is the investment in their capital equipment was so much they couldn't afford to put it in one place and then move it when they went into full blown production. So we ended up actually doing it in China, moving it to China.

>> Shanghai?

>> No, we went to Donguan actually, or Shantan I should say, but yeah, and then we have been working recently with a customer just down the street from us that's engaged with us again, and they're running out of capacity. They've decided they may want to look to outsource. So I've got our solar guys back looking at it again

as well to see if it really makes sense for us. I was at CTS for six years which is just across the street from us, right? And I joined us just after CTS acquired a company called Syntech we were in Santa Clara. There's definitely production work here because we grew the facility over four years from 17 million to over $100 million. It was all high mix low to medium volume but it was all customers in markets that tend to stay onshore and not go offshore. Right? I mean there is business here, it's just you don't have -- I don't think you have the big win that you used to have. You know if you're going to get to that dollar amount it's going to be with six customers seven customers maybe more, not the one or two you used to have before but they're still there.

>> Councilmember Oliverio: If I remember correctly you all sort of operate off of fairly thin margins.

>> Yeah, very thin.

>> Councilmember Oliverio: And then on the made in America, it's impossible to get all those subcomponents and assemblies made in the United States, so I think the idea is to retain the manufacturing process, so i.e. China doesn't have an advantage for example on photonics, and there's only one -- or take an IP in that process. And then the -- do you ever service in your -- so mostly I guess for all, outside of you, between sheet metal and contract manufacturing, do you have customers that come to you outside of Northern California? Does someone from North Carolina say hey, I want you to make it in San José for MPI?

>> I think you have it all the time.

>> In one of the slides that you saw you know, Questra being down in San José, you know, they are out of New Jersey, and we're doing a tremendous amount of business, probably, you know, second, my second biggest customer on the site, right? So it depends again on their strategy and serving regionally, and there's a lot of variations that take place. But you definitely get also customers outside the area.

>> Councilmember Oliverio: And then again for the contract manufacturers, let's say you're dealing with the local OEM, someone has blue code up there, and there's a ton of them here, right? What's the choice they make in

saying, well, you know, I have these transportation costs in China and there's issues in Mexico, and I want to make it domestically. Do those companies have an opportunity to say I'll make it in Texas, I'll make it in the Dakotas, and that will stay here?

>> I mean, yes --

>> Councilmember Oliverio: I mean, I guess -- well, Let me rephrase this. Will Texas and Dakota always have a advantage over the San José facility, or are they equal at that point?

>> It depends number one if we have a facility in those locations, right? I mean, most -- if you look at most of the EMS companies that are in the states, there are some in Texas, they've got a lot in North Carolina, there is some on the East Coast, because they've all got that market there they're trying to support. There's not a lot in the South Dakota or North Dakota, maybe that's one of the options of people we should be looking at, right? Because they've got plenty of people out there to work.

>> Councilmember Oliverio: I know Sanmina's got a big facility in North Dakota.

>> But again, part of it, if we are in a very high technology area, we have problems attracting you know technical competency. To be in South Dakota or wherever, not that they don't have -- you know, but it would probably magnify trying to attract even more people into that area.

>> Councilmember Oliverio: Are some of your clients hindered in that they, to sell to certain geographies in the world, they have to make the product there? Like if I remember, if you wanting to sell to Brazil, you need to make it in Finmercos which is in Brazil or Uruguay or Argentina?

>> I think a lot of customers are driven that way based on their end customer base, right? If their end customer base is in Asia, it makes sense to be building the product and selling it in Asia as well. Most of our case I think it's price that drives them off shore more than logistics I think at this point in time.

>> Councilmember Oliverio: And then the vertical will never serve us in this market will be like you have in your portfolio, it was like high volume consumer electronics and things like that, so that will still be the case. And just roll up my notes on my blackberry here. And then on the sheet metal side of the fence, is your -- is plastic injection molding in the same problem, where they --

>> Oh --

>> Councilmember Oliverio: Are they in the same problem as you are in, in sheet metal? Because it seems like a lot of the products we have, have a ton of plastic in it.

>> They -- not quite as bad. I know of one company, Wright plastics, who is doing quite well.

>> Councilmember Oliverio: And then your enterprise zone because you're bringing in the raw metal, that's what you're not having to pay the tax and that raw metal comes from overseas a lot of time?

>> A lot of times, yes.

>> Councilmember Oliverio: For the foreign trade?

>> Some of our customers our medical customers and aerospace all require either ITAR or U.S. made, which is sometimes difficult to get.

>> Councilmember Oliverio: Well, that's great for you, then, if it's ITAR requirement. Then does the OEM care, so you're servicing your OEM customer, sell up front to you too, and do they care whether you subcontract the San José sheet metal house or someone in Nevada, does it end up being the same price, based on transportation costs, or --

>> At the start there, they do care, because they want some control. But at the end as they look for cross cost reductions then they pretty much then don't care whether I do it locally or send it to a lower cost geography, as long as they get the cost reductions they're looking for.

>> I think you know just to put a little bit more on that is that we have our own preferred suppliers we use, right? Some could be -- some onshore, lot offshore. This customers, the ones we're doing today, they've gone out around they've done their due diligence and they've got their customer base, supply base. So we can't deviates that. We're kind of locked in to what we call approved vendor list oops deviation takes a lot of approval from the customers as well. So if they really want to leverage the supply chain they come to us and they try to leverage off of our preferred supply base because that's where the costs that's where the savings are.

>> Councilmember Oliverio: And then for staff so the sheet metal house here will benefit from the enterprise zone and then could Solestica and FMTC benefit from that are they already in that program?

>> Solestica is outside the boundary of the enterprise zone.

>> So are we.

>> The benefits for manufacturers are -- there's a couple of different areas, one is the hiring tax credit on new employees, up to $37,000 over five years. But the real one is the sales and use tax credit for equipment purchase. So you know the much discussed sales and use tax is levied against manufacturing equipment in the state of California which is fairly unique nationwide, I think there's only one other state that levies sales tax on production equipment and so if you're inside the enterprise zone you get a credit back on state income tax for any of those purchases.

>> Councilmember Oliverio: And then on the AirTronics -- kept saying sheet metal. You need people to work at the company and it's not necessarily coming out skilled, you would train them, if you had a reliable person showing up every day.

>> That's typically how we get new employees, is someone will come in, that maybe they've had a little bit of experience, maybe they worked in an auto shop or something. So we'll bring them in as a beginner, a trainee, at shake and devert, we call it shake and devert, it's after the parts are punched, they're in a big blank. You literally shake the blank to get all the parts to fall out. That's where we'll start them out at. And if they exhibit the right characteristics, they are there on time every day, they're there every day, if they get along with people, they can pick up the skills required on computers. Because all of our work stations are computerized. We try to be as paperless as we can, so travelers, no drawings, everything is on the computer for the operators to access. So if they exhibit all that, then we advance them along. We'll take them, put them into an operation like maybe hardware, hardware insertion for actually running a machine.

>> Councilmember Oliverio: So you said -- someone said you're the best-kept secret in the valley, actually it sounds like you're the best-kept secret for someone who literally is low skillset, seeking entry level job that probably pays higher wages than what you mentioned, which would be retail and food service?

>> Correct.

>> Do you have career days for high school grads and participate in that?

>> We have in the past, but it was not very successful, I'm afraid.

>> Councilmember Oliverio: Okay, and I really appreciate the questions. Sorry I left the OEM out. But this is a more concentrated --

>> We're really not an OEM.

>> Councilmember Oliverio: You don't really use contract manufacturing locally, right? You don't have any NPI drives made by someone?

>> Not locally, no.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: Okay, Ash.

>> Councilmember Kalra: Thank you all for your input, and we all had a pleasure of last few years learning a lot about this industry. I really didn't know there was much manufacturing going on and the degree to which it was going on actually increased over the last couple of years in some sectors, which has been great. I've had the pleasure of visiting Solestica and of course HGST as well as CTS and others that are located in South San José. And so I think there definitely is a lot that we can do in terms of building the relationships between the contract manufacturers certainly that are in our own backyard to the other companies in our own backyards. We've had opportunities to connect and network folks where that's happened already. And so there's a lot more work that we can do, and so I look forward to certainly doing that. And I still think as the slides indicate that there's a little -- there is still room to grow, partly because of everything that was mentioned by our panelists and our staff, including certainly pilot production lines. I think until someone goes full scale, that opportunity's always going to be there. And then of course if you have -- anything that requires or gives incentives for domestic production or military applications that require domestics production, and what I hear more and more of is protection of intellectual property. Which I think again was mentioned more at the higher level more intricate and things that are less likely to go offshore or may even come back. Because I've heard really, I've heard more and more in the last five six years, as China and other countries have tried to really ramp up, that their quality control has dropped significantly. And that's something that I know that all of you can still offer that really makes it cost effective to keep the products local and keep the manufacturing local. And I think a great point that George made was, as we talked about developing Hitachi, which I think is going to be a really good test which will demonstrate some of the growing pains we're going to have as a city. As we talk about these villages we talk about doing mixed use. It is protecting, protecting your industrial land from the encroachment of residential. I know it's a great opportunity to make it a more interesting place to work, when you do have restaurants nearby and shops nearby.

I know that we've had the parks there, and I know that a lot of Hitachi employees use it during their lunch and what have you. And that's just one example of many, where we're going to have to really pay close attention where we're not -- we're not kind of pushing away the industrial land, that at least we all in theory you know appreciate so much and want to protect. And so I know that staff's been working very hard on trying to make sure that we create an environment that encourages more companies to come and encourages HGST certainly to continue to grow there, and I think we can try create that environment. And it also goes to AirTronics, I think we talk a lot about South San José where I represent, I know that North San José for manufacturing and the Monterey corridor is critical as well, and sometimes in the rush to develop the Monterey corridor we have to be very careful that we don't lose our manufacturing capacity there. And the fact that you've been there for half a century, not you specifically, but the company's been there -- (laughing) -- for that long, you know, speaks to how valuable it is. These are good jobs, it's a good company, and I think that that's an area that's going to be very -- speaking of growing pains, it's going to be very challenging. Speaking in terms of skilled workforce, there's opportunity, certainly there's the sheet metal union. But in addition, there's San José City College, the construction college, and they do have students that are looking for generally that line of work. Where there may be an opportunity, a career day or something of that nature there, as opposed to the high schools, where they may not be exiting high school, really thinking about it. But once they're in the real world they realize it's tough to get a good job. If they are already in the JC environment, it may be a good opportunity. And certainly I know we'd all be happy to help connect you as you continue your outreach and your recruitment. I'm also excited about companies like C8 Meta Sensors that are doing kind of OEM that are really growing. And so I think there's opportunities with those companies also with the contract manufacturers, as they continue to grow, to help them ramp up. And so you know, I feel very hopeful about this industry. I think of all, we talk about manufacturing, it's a very difficult, as we know how much we've lost, but I do think there's a lot to gain. And so I'm very thankful for all of you being here to help educate us. But also I think we can continue building on our relationship going forward. And certainly it's frustrating, representing an area like Edenvale, where you have of it enterprise, half of it not. It's really frustrating because we would love to be able to offer all these incentives. But there are other incentives, and that's something that I know the staff's always going to continue to bring to you, whenever there's an opportunity to make it more cost effective for you. So thank you all.

>> Councilmember Herrera: Sam.

>> Councilmember Liccardo: Thank you. I really appreciate each of you taking time from your very busy lines and managing companies obviously to be here at City Hall. For those of you who spent more time to City Hall than you would have liked, thank you for returning. And Joel, I do want to thank you for being candid, because I know there's often reluctance of businesses to tell the emperor that they're not wearing any clothes, and we need more of that, so I really appreciate it. I just wanted to ask about our strategy of trying to get the word out, whether it's about foreign trade zone benefits or enterprise zone or what great works that Work2Future does in terms of training. How do you want to be contacted in a way that's relevant without being pinged to urge you to hit the unsubscribe button? What exactly is a meaningful way of communicating so you can run your businesses without being bothered by the government but actually be aware of what's available?

>> E-mail's fine for me.

>> Councilmember Liccardo: I mean, has it literally come down to that? I mean, just sending e-mails, or should we be hosting folks here?

>> I think more forums similar to what we have here today would be a big help for everybody. I mean, understanding, you know, everything that's going on. I mean, Chris and I have been communicating with Sara Hunt. We're a Canadian company by the way, we're local, but we -- MTC's corporate headquarters are in Canada as well.

>> We're a U.S. company.

>> And we are too. But I've been getting -- Sarah Hunt's one of my counterparts in Canada, she has been real active with Chris as well. We don't do a good job of branding sometimes, I don't think, none of us do, right? We're trying to get our name out there, trying to take advantage of everything that's available for you because like I said

our profit margins are thin. If there's some kind of financial help you can get to do offsets, we're all looking for that right? So I think forums like this are a great deal. And I don't mind e-mail either, it's fine with me, you know.

>> Say go to the Website and look at this.

>> But I'm one small part of it. I'm business development and I wish my management was here. I tried to -- we're too busy right now to get them down here but would I love for my GM to have been here today, like to hear this, good for him.

>> Councilmember Liccardo: Thanks Jim.

>> I think we also have you know in most cases especially in our companies we do have you know, training organizations, we have other kinds of areas that you know some of the programs for you know as we are struggling to finds employees or you know incentives for us to take on employees to train as long as there's some benefit for both of us, those type of programs are also, you know, could go directly to our training organizations and everything else to say hey, you know, if you hire these people or you take these, you know here's how both of us can benefit. I think those type of exchanges is also beneficial besides just some of the forums.

>> Councilmember Liccardo: Thank you, I appreciate that input. I just want to follow up on I think it was Jeff that talked a bit about trying to find the workers with the appropriate skills, and I really appreciated your insights. But I understand that we've got different levels of manufacturing occurring here. And I'm wondering is there similar experience across the board here or different, in terms of trying to find the workers with the right skills for your work?

>> Well, for us it's more of the engineering side of the world, right? Test and much software, you know a lot of that type of higher level of, our regular you know direct employees and everybody else that's not so much of an issue. And you know there's, for us it's you know quite a bit in the valley and you know the way we have our processes they're broken down in much finer details for people to be able to step into those roles. But you really

can't you know can't develop if engineering capability that we need to service some of our customers. And I think for us is finding the right engineering capabilities locally. We have to either bring in or recruit from outside and I have relocation costs and everything else. And the problem is, they said it's a very high cost area, where you are bringing to bring someone from Texas or everything else, they buy a 5,000 square foot house for $200,000, and here they're shocked, and they say thank you, but no thank you.

>> Councilmember Liccardo: So bottom line is you're also having a hard time find being talent, different kind of talent.

>> Exactly.

>> I think what creates problems is we have ramps. We have customers that come in and ramp quickly. You have to add resources real quick. You have limited resources internally from HR standpoint to do the hiring. We have a full time staff, I think it's Adeco to bring in our temporary gross. He's there all day putting new people on. Because we're on a real hiring ramp right now. Same thing is, we look internally as well, being a global company we've got engineers all over the world and there's somebody willing to take a temporary position or relocation or whatever. But again it's the sticker shock when they come to the Bay Area right?

>> I'm curious also about the average age of your engineering community. I notice ours when I look around there's a lot of gray hair in the group. I don't see a lot of young people in the U.S. anyway. In Asia it's a different story. But it's going to be a succession of planning problem there.

>> At least from my experience a lot of it has moved, I can't remember which one of you have said it away from manufacturing more into you know they want to work for the googles. The Facebook, the software side is more glamorous than the manufacturing side. And so what do we do to reattract them back, it is a very prestigious type of work to get into, and it doesn't always have to be the Apples, the Googles or the Facebooks.

>> Councilmember Liccardo: It might look a lot more prestigious after the social media bubble bursts.

>> It will some day.

>> We're kind of a unique environment, because I know the M world, you can go in and there's a lot of repetitive things you do day in, day out. Our business is nothing, is not repetitive, right, I mean, it's not at all. So you get folks engineering capabilities and people from the ODM world, they die in our world. They don't last. Because you're working 14, 15 hours a day, and you have no family life, and you know, it eats them up. It really does. We have to be sick to still be in it, really. You think about the amount of years we've been doing it.

>> (inaudible)

>> Councilmember Kalra: You have ping pong tables and things like that?

>> We all do, yeah, we all do, basketball courts, ping pong tables, yeah.

>> Councilmember Liccardo: I appreciate you're all facing different dimensions of the same problem, which is finding talent of whatever level. I certainly know we want to be involved in helping. I recognize for some, it's being able to have the amenities here that will attract the young 20-somethings that will find it hip to work there, and in other cases it's just a matter of actually bringing about people who will be willing to learn these skills. But I hope that you can let us know about what your specific needs are so we can at least do some outreach of organizations that we have been in relationship with. I'm sorry I cut you off.

>> The work that we do with the colleges, I mean, we don't -- we don't do it because these people are going to work with us. They're not. These guys are going to be engineers when they graduate. But they get to see manufacturing. I mean I do lectures, I give, I do guest lecturing for classes and things like that. So they get to know about manufacturing. I don't know if that's hang in the other realms of the industries where they're getting involved with the colleges especially with the engineering colleges because once they see it, then they may be more likely to want to work around here.

>> Well, I know for our industry, you know, it -- and not only here, but I've done it in most of our companies do it today, is try to work with the colleges for the specific requirements. So when you go into an electronics school in you know, whatever college, even though you can graduate, but it doesn't sometimes, as we all know college sometimes does not translate to real life. So what we have done worked more and more with the universities trying to get them more specific to the needs and requirements that actually fits when they come out. And you know work on summer internships or anything like that. And trying to get -- so hopefully then by the end they know about manufacturing and then you can retain some of those even if you get one or two, at least it's one or two less that you have to go search for.

>> Councilmember Liccardo: That's grate. I was just going to ask as a general matter if you all would agree to forward your contact information to us? Because I know I have a couple of organizations I'd love to reach out for who may be interested in finding young people who would be very interested in jobs. That would be great. Thank you.

>> Councilmember Herrera: Thank you Sam. I wanted to first of all again thank you very much. I wanted to know from all of you what are the top three things that the city can do to help your businesses and to help manufacturers stay in San José? Give me one thing, it doesn't have to be three. One or two things.

>> I would say if you could help represent our interest before organizations and regulatory bodies outside the community. So you know, talking air quality, if you're talking anything that the state may be able to do to help provide assistance. Those kind -- because they appreciate the upward feedback I'm sure in the same fashion that you would.

>> Councilmember Liccardo: Tax policy.

>> Definitely tax policy.

>> Councilmember Herrera: Definitely we want to hear from you. Continue.

>> For us, it's still, we talked a little bit about how do we get the educational system back in touch with us. I think that kind of has left for a little while. So for us that would be -- you know and the other thing and maybe is because I'm out of the loop, today really as we work with you know very small margins, you know really understanding any of the incentives or any of the tax or any of the sections or any of the things that can help us you know weather that storm. I have no incentive to go buy new equipment today and you know, luckily, I ended up having to spend in the you know probably 20-something-year-old building because I needed to house additional people and expand capability. Otherwise I probably will not you know invest that money. So again, there is no incentive for us to continue to invest, unless you're kind of forced by you know you got more business or you know I acquire somebody so I have to in turn consolidate. So that's the type of thing that going forward is there anything that we can do to spur investment.

>> Councilmember Herrera: I think we're talking probably at the state level but certainly -- because if you're not in the enterprise zone we can't do a lot. It gets back to the state question.

>> You know is there something in contact with those people or even pass on that type of information in order to keep manufacturing in the area, you know how do you work with the state to be able to incentivize the growth.

>> Councilmember Herrera: And I'm sure staff will weigh in on this, but we have legislative folks that work in Sacramento, this city does take positions on various measures. We work with our local chamber, we work with the leadership group which is definitely a group I'm sure you guys are familiar with, Carl Guardino's group, that advocates for companies in Silicon Valley. So yeah, we do work together. I wanted to continue with your answering my first question. But another question I have is, is there an organization that you think represents manufacturers? I know when I was doing -- I was doing software manufacturing we called it back when I was involved in it, before online distribution, we'd package up software. We created a software manufacturers association and we'd get together and talk about issues facing our industry. Is there such an organization now and is it of value for us to work with them or do you find any value in any of that?

>> From a sheet metal standpoint there are organizations.

>> Councilmember Herrera: I'm saying manufacturing in general.

>> There is the NAM, the national association of manufacturers. I do a lot of that. They do that in Washington Sends me literature, legislation that's going on. I don't pined it. Interesting to read, that's the reason I stay with that organization. There's other organizations such as precision metal forming association which also does a lot in Washington. But they're very, very limited representation on the West Coast. It's really an East Coast organization.

>> We used to have, FMTA, all these different organizations used to hold monthly meetings and stuff. And I think they have just gone off track lately, it's just because I attended a couple of them. Didn't get much value out of it, what's the point in going back again.

>> It's just a forum for vendors to come in and tell you where it was.

>> Councilmember Herrera: Keep the vendors, right.

>> It becomes more informational than actually getting together in order to drive something. As they say you can belong to them and you get 15,000 e-mails but very little from an action perspective to go after any type of initiative going forward.

>> Councilmember Herrera: Well I would like to see somehow you mentioned there was some value in you all coming here today and you wished you had your GM. I would like to see a forum in the future. The reason I mentioned an association, I didn't know if there was a body that sort of organized manufacturers. But we certainly can talk to all of them individually from our staff perspective. And I think there might be some value to having a

bigger forum and letting folks know more about this industry and about the challenges not only you face but also the opportunity there is. It's just one thought that was going through my mind as I'm listening to you here.

>> I'm sure you got a lot of context. Maybe an open house. I mean you know invite them in, just, I don't know. Even a social event just to get everybody together to start talking.

>> That's sort of what we've tried to reflect in our recommendations, as well, is that there is space for the city to act as this intermediary to bring a lot of these folks together and start working towards common issues. And I think to the point an the legislative advocacy in particular, really, the role we can play that's most advantageous is telling the story. I don't think that the story that you've heard here today, really makes its way upwards out of these forums. So we need to, you know, in our work in both Sacramento and in D.C., is really reflecting the reality of manufacturing here in San José.

>> Councilmember Herrera: Well, again, thank you very much for coming today and spending the time informing us. It's really given us a ground-level view of what's going on and I know everybody up here wants to be of assistance to you in any of the things that you've talked about today.

>> Thank you.

>> Thank you. [applause]

>> We do have a written report on in one so can you take action.

>> Councilmember Herrera: We need a motion to accept the report, and second.

>> Councilmember Liccardo: May I just ask on the motion, does that include all the strategies that are outlined within the text of the report?

>> Yes.

>> Councilmember Liccardo: Okay, there's one I just want to qualify it, that I know with regard to the truck route and the primary freight routes to provide primary access, I ups your point, industries have had a long standing request to OED and to the Department of Transportation for follow-up study for a survey that we have been relying on since 2004 and we've obviously been through this in the general plan process. I'd just ask before we make any specific policies on truck routes that we open that discussion, so that we're not going back and changing anything that's in the general plan that's in there now but that we actually have a full, fair discussion about the data and what exactly we need to be doing on the truck route.

>> Kim Walesh: I think councilmember by adopting these that you would be agreeing that these are the five major areas, that we would come back and develop any specific actions including that areas that if they had consequences or would need your input we would bring it back.

>> Councilmember Liccardo: All right.

>> Councilmember Herrera: All those in favor, opposed, motion carries.

>> I'd like to know any changes in truck routes.

>> Councilmember Liccardo: We're not diverting any.

>> Councilmember Herrera: Okay, moving on. To our last item. We have a verbal report on the incubator entrepreneur center transition. Richard Keit and Jennifer. We can proceed.

>> We needed a good stretch. Good afternoon. Richard -- Richard Keit, managing director of the successor agency to redevelopment. This is just an update for you on a transition plan that, it's hard to believe we started way back in last November. Okay, go ahead Jen. I think just before I get into the latest information I have. It's still

worthwhile to take a look at the innovation center, besides being a pretty building with chart colors and a great training room and WiFi and several conference rooms, it is important to know who's in there. And I think also one of the main benefits of this type of building is that it has a lot of hard walls, and I think a lot of incubator companies and E center tenants really appreciate the ability to have locked office space and the proprietary information that it holds. So in the entrepreneur center we have five entities, the New American-Hispanic Chamber, Silicon Valley Business Center, PMC Development Corporation, which is a nonprofit, the leading one in the county in lending 504 money for properties, and the U.S. Small Business Administration office. Again, the only office in San José, again, San José is the only city I think in the top 20 that doesn't have an SBA office. San Francisco has the main office, unfortunately. Go ahead Jen. The U.S. MAC is literally bursting at the seams. They've taken over more space on the second floor as well. I believe there's 34 companies on the United States Market Access Center. And go ahead. And then the EBC has 26 companies. So a total of 65 entities are in the building, and it sure would be a shame to lose any or all of these in the downtown, specifically, and certainly, in San José. And of course some of these are one- or two-people entities that mortgaged their homes. Some have angel investing, I think a few have some small VC investors. So it's all over the board. Some of them were in the building, 18 hours a day, and others only show up once, a couple times a month. Having said that, going into what request for interested, we distributed way back in January this year, and our submittal deadline was February 27th. We met with -- well, there were three individual responses: San José State University Research Foundation, Humboldt State University sponsored program foundation, and the Irish innovation center sent in formal responses. Along with the Office of Economic Development, we met with all of these entities and a few of them several times. Both in trying to seek out information to see what their real interest was and of course, bottom line, how much could they contribute towards the master lease that the agency has paid in the past and is obligated to do through 2014. After several meetings with the Irish innovation center they formally stated on June 14th that they were not interested in leasing all or any individual floors of the building. We talked to them quite a bit at length, and they said they, although they had a really good working relationship with the U.S. Mac and hopefully they can continue and we encourage that relationship to continue, that they weren't interested in the physical -- any of the physical space in the building. San José State foundation submitted a proposal, and I was able to get a small increase over their original proposal of a little less than $5,000 increase, where they would contribute $44,000 a year. The entrepreneur center, which is run by Humboldt state, sponsor program foundation was willing to contribute

$22,000 a year for a total of $66,000 a year. This is still well below, unfortunately, well below the current lease rate of close to $479,000, still leaving about $413,000. I do have a meeting set up this week to renegotiate the lease with the property owner. And hopefully, we can make significant decreases in the lease. We mentioned at the last meeting that they're well over market rate, I'm sure they're aware of that. How much they're willing to come down is unknown at this point but I'm going to do my best to get it as low as possible, with the real possibility that the building could be vacant. We've mentioned that before to this committee. And we're under, obviously, some real fiscal constraints at the agency level. And of having any ability to pay.

>> Councilmember Herrera: Yeah.

>> That's a big constraint.

>> Councilmember Herrera: No agency.

>> I happen to think this is one of the top three priorities after bond indebtedness, and if you haven't heard, we got very good news from the state controller on that subject a little bit.

>> Councilmember Herrera: Yay!

>> We have not heard from the county. We have been waiting, we have been talking this morning, so hopefully we'll get something in writing from the county. But I'll feel better when that letter or memo comes through and we know exactly what they had in mind. But the state controller has supported our position. So that, with some potential land sales coming up, there's some potential that we wouldn't have to draw on the General Fund to fund a facility like this, and several of our other, I think the most critical things that are on our obligated payments, enforceable obligated payments schedule. But that's both an administrative decision, I do intend to talk to the City Manager about this, and of course ultimately, coming back to this committee and the board on how to proceed. But I think after -- we'll have to come back to you at least one more time to this committee, find out what the renegotiated item is and then hopefully by August or September we'll have a real final understanding on what,

if any, funds the agency has to use to make these lease payments through our obligation period, or at least in maybe the next calendar year.

>> Councilmember Herrera: Questions. Sam.

>> Councilmember Liccardo: Congratulations on your negotiation with the state. Glad the controller saw the light.

>> You know how I work by a lot of departments.

>> Councilmember Liccardo: That was not light feat though, I know. On this, could I just suggest outreach to Jeremy Nooner over at Nextspace. I know they're bursting at the seams. I was just at their one-year anniversary, he mentioned looking for space, and would love to have them there if they're willing. But I doubt they're going to pay the same price we did but if you're looking for more tenants, there may be an option.

>> Good, thanks. And that's a possibility. When I talked to the owner, one -- although the building is pretty full, maybe -- there's definitely some room for some consolidation.

>> Councilmember Liccardo: Okay.

>> Councilmember Herrera: Anyone else? Okay, is that it?

>> Yes.

>> Councilmember Herrera: Okay, do we need a motion for the approval of this report?

>> Verbal report. No written report attached.

>> Councilmember Herrera: I think we're on to open forum. David Wall.

>> I would like to talk about soccer, if that falls within the subject matter jurisdiction, with reference to the Coleman soccer fields. I'm very much concerned that with the airport expanding which has to happen. The concentration of jet A and jet B fuel exhausts in congestion with 880 pollution and 101 pollution and the railroad tracks behind there, that's basically all diesel fuel. It looks like to me you're creating a quasi-gas chamber out there. And I think that's not within anybody's desire. But I can only remember in the days of some of you who weren't around yet, but in the '70s where you'd use to run and your lungs would hurt because of leaded gas. That issue is gone. But yet concentration of jet A and jet B fuels in conjunction with all the other diesel products, what's that going to do to the kids' respiratory systems? I mean it's very intensive cardiovascular activity out there playing soccer. And on nice hot stagnant spare-the-air day in San José, it could be we're creating the strongest most fittest soccer players because they would be the ones that survive. But most people I think that respiratory issue may be enough to offset the economic calculations to which this whole fiasco is based. I'd like you to think about using medical schools as part of your EIR process. Thanks.

>> Councilmember Herrera: Meeting's adjourned.