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>> Mayor Reed: Good morning. I'd like to get the Council meeting called to order. I know there are enough for a quorum. If we can get them all on this side of the dais, we'll have a minute. Okay, we have a quorum here. We're here for the labor update. And then we'll be back into closed session and back at 1:30 for the rest of the open session agenda.

>> Gina Donnelly: Gina Donnelly, Deputy Director of Employee Relations. We are continuing in mediation with all 11 bargaining units. We have not received any proposals to report and that's the end of the presentation.

>> Mayor Reed: That's the end of the presentation. Robert did you plan to speak? Okay, we will adjourn into closed session and we'll be back here at 1:30.

>> Mayor Reed: (gavel strike) Good afternoon, I'd like to call the San José city council meeting to order, for January 31st. Please have a seat, so we can get started. Do you want to keep talking? There's plenty of room outside to do that. We'll start the meeting with an invocation. Councilmember Constant will introduce the invocator.

>> Councilmember Constant: Thank you, mayor. It is my pleasure to introduce to everybody today Rabbi Daniel Pressman. Rabbi Daniel has been a District 1 resident for 30 years. He lived there with his late wife of 39 years, Beverly Pressman, and they have three children, Eliza, Benjamin and Rebecca. Rabbi Daniel graduated from UCLA while also attending the University of Judaism. He's an ordained in Jewish -- from the Jewish theology seminary in New York, and he's head of the congregation Beth David in Saratoga. He's been doing that since 1981. Congregation Beth David serves well over 500 families, a significant number of which live in District 1. He is very active in the local community and serves on numerous boards and commissions and committees. Far too numerous for me to read here today so I won't do that. But he's also an author. He's the author of a book -- of a book called Tora sparks, it's a weekly discussion guide to the Tora used by many synagogues used in north and South America and the co-author of two prayer books for youth worship. It is my pleasure to have him here today, and rabbi thank you for leading us in this invocation.

>> Thank you councilman, and thank you for this invitation. It was really a gift from God that the synagogue was on the northern border of Saratoga and across the street was District 1 of San José, because 30 years ago we saved a ton of money by settling there, rather than trying to find a perch in Saratoga. In Jewish tradition we begin events and meetings with a Devar Torah, a text from our tradition to provide a proper framework for the occasion. Judaism as it happens offers a rich body of teaching on leadership and governance. Since we view the Bible and its commentaries as concrete principles for creating a just and well-ordered society. In that spirit I'd like to offer one of my favorite texts. It comes from Sefray de Varim, a second century commentary on the book of Deuteronomy. The book begins with Moses reminding the Israelites that before they receive the commandments, he set up a system of government delegating and distributing authority. After all, without a system of implementation, laws are just words on a page, or in that case, a tablet. Moses then says, "And I charge your judges at that time," judges in biblical governance fill both judicial and legislative functions, "I charge them saying,

hear the causes between your brothers and judge righteously between every man and his brother and the stranger who is with them." The comment on the words "and I charge your judges" understands Moses to mean in the past you were independent, but now, you are servants of the community. 2000 year ago our rabbis understood that the bible affirms the model of servant leadership. In our times, this idea has been well articulated by Robert Greenleaf. He urges leaders to evaluate their motives and goals against the ideal of the servant leader. He writes the best test and difficult to administer is, do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And what is the effect on the least privileged in society? Will they benefit or at least not be further deprived? There is much cynicism today about government and public officials, but as the Bible affirms, no society can do without them. My personal experience is that most are dedicated and very hardworking. So I suggest that instead of calling our elected leaders politicians, a term that has somehow become tarnished, we use the term public servants. In a democracy that is certainly the right model and the essential aspiration. For city councils which deal daily with practical street level issues and services challenged by limited resources and conflicting constituencies, how much more so? So I offer the prayer, that this council, as servant leaders, will be granted the wisdom, the strength, the inspiration, and the resources, to meet their challenges in governing this great and complex city. May God crown their efforts with success and, as the blessing of the psalmist says, may San José go from strength to strength. Amen.

>> Mayor Reed: Thank you rabbi. Next we will have the pledge of allegiance. Please stand. [pledge of allegiance] He

>> Mayor Reed: First item of business are the orders of the day. Any changes to the printed agenda? I have no requests. Motion is to approve the orders of the day. All in favor? Opposed? None opposed, that's approved. Closed session report City Attorney.

>> City Attorney Doyle: There is no closed session report.

>> Mayor Reed: We'll now take up the ceremonial item on the agenda, there is one. I'd like to invite Councilmember Herrera and representatives from the Jewish Federation of Silicon Valley and the Silicon Valley Holocaust Survivors Association to join us at the podium. We'll get everybody formed up here in a minute. Because today we're going to recognize January 27th, 2012 as international holocaust remembrance day in the City of San José. Councilmember Herrera has some of the details.

>> Councilmember Herrera: Thank you, mayor. First I would like to introduce and thank the representatives from the Jewish Federation of Silicon Valley and the Silicon Valley Holocaust Survivors Association who have joined us today. So representing the Jewish Federation, Jill German, our chief executive officer, Diane Fisher, director of the community relations council, and Ariel Hendel, chief development officer. And our very special guest from the Silicon Valley Holocaust Survivors Association, Jack Tramel, Renee Good -- Helen Tramel, his wife, Renee good, and these are survivors, Tamar Jacobs, survivor, Ellen Ruth powers, survivor, Jesse Rajna survivor, Helen shipper, survivor, Jack shipper, survivor, Judith Kapokne, survivor, Doris Schwartz Lezenby, second-generation survivor, Sheila Gold, second generation survivor, Ron shipper second generation survivor, Russell Steinwig second generation survivor, Sam Tremel, second generation survivor, Zippy Tremel, second generation survivor, Rachel Sorger Andrade, third generation survivor, and Mateas Andrade, fourth generation survivor. I would also like to acknowledge Rabbi Pressman, Congregation Beth David, for being here as well. It's an honor to have these survivors and second and third, fourth generation survivors join us today in recognizing international holocaust remembrance day. In 2005, the U.N. designated January 27th as international holocaust remembrance day, an annual day of commemoration to honor the victims of the Nazi era. January 27th marks the anniversary of the liberation of Auschwitz Birkenau, the largest Nazi death camp. This is the seventh year the City of San José has acknowledged international holocaust remembrance day. This day is an opportunity for us to recognize the nearly 6 million Jews and millions of other victims that were targeted and persecuted by the Nazi regime and its collaborators during World War II. This day serves as reminder of the universal lessons of the holocaust, an evil which cannot simply be confined to the past or forgotten. The holocaust which resulted in the murder of one-third of the Jewish people along with countless members of other minorities, it will be forever be a warning to all people of the dangers of hatred, bigotry racism and prejudice. Our courageous survivors have played a vital role in keeping the lessons of the holocaust alive for future generations. They survived one of the darkest, most

destructive periods of human history and are here today to bear witness to the truth of what happened. And today, we remember their profound faith and courage that have enabled them to build lives of purpose and meaning. For each person who is rescued and survived the holocaust countless more were killed. This year's theme chosen by the U.N. is children of the holocaust. Remembering the 1.5 million Jewish children who perished in the holocaust, victims of persecution by the Nazis and their supporters, and the tens and thousands of other children who were also murdered, including people with disabilities as well as Roma Incente. This year's international day of commemoration in the memory of the victims of the holocaust is dedicated to children, girls and boys who face sheer terror and evil. Many were orphaned by the war, or ripped away from their families. Many died of starvation, disease, or at the hands of their abusers. We will never know what these children might have contributed to our world. And children are uniquely vulnerable to the worst of mankind. We need to show them the best this world has to offer, and we must never forget. It's important to tell stories to speak for those who cannot. This day is particularly meaningful to me personally as a Jewish American and as someone who has lost family in the holocaust. I asked the Jewish Federation of Silicon Valley and the Silicon Valley Holocaust Survivors Association to join us today because these organizations have done so much to strengthen and enrich the Jewish community, as well as educate in the community about the holocaust. And we are very honored and grateful to have Auschwitz survivor Jack Tremel here with us today to share his story of survival, and the many others who have also joined us. So a little bit about Jack. Of course I think of Jack as the founder of commodore, he is a very big hero to me, one of the most successful personal computer companies ever. But Jack has another story before that. He was born in Lutz, Poland, a city in which one-third of the city's 600,000 residents were Jews. He was only ten years old when the Germans invaded Poland in 1939. And in 1944 his family was shipped to the Auschwitz concentration camp where he was separated from his mother and where his father died. There, 10,000 people in the concentration camp when the war came to an end, of these 10,000, only 60 survivors were left. Following his rescue from the labor camp in 1945 he emigrated to the United States and he went to join the U.S. army to learn about America. He became an entrepreneur and in the computer industry he founded commodore international and then later became C EO and chairman of the board of Atari company. His company developed the best-selling single personal computer of all time, the commodore 64 in 1982. Let us all honor all the holocaust survivors here with us today. Those in our community and those we lost as we recognize international holocaust remembrance day in the City of San José. I would ask the mayor at this time would you please present this

proclamation to Jack Tremel who will receive it on behalf of the holocaust survivors in our community, but we also have proclamations for all of the first generation survivors that are here with us today. And Jack Tremel will come and say a few words. [applause]

>> Good afternoon. First, on behalf of survivors of Silicon Valley, I want to thank the mayor, the Councilwoman for the proclamation. It's very important for my family, for the Jewish people, to have the support from the city, state, government, really all over the world, to remember what happened in 1939, and how many Jews got killed during the war. I was lucky. Because I was one of the 60 people like the Councilwoman said, of 1,000. In the 1947 I came to the United States and I felt like I was reborn. This is my second time around. And this country is so wonderful. And we forgot how wonderful it is. Especially the youth, what we stand for. I seen it all. The bad, and the good. What I'm seeing today is not so good. And I hope that we will be able to change. Because we are the greatest and the best country in the world. And we have to have a little bit more feeling that this is our country, and we are here to support it. Not only to take it. If we can change that, the world will be beautiful. For my side, I'm trying very hard to make sure that we don't forget the holocaust. 20 years ago, Helen and I were able to support a museum in Washington, D.C. called the holocaust museum. And it's doing just unbelievably well. We support almost the whole world from there. Now I'm supporting another museum, in the country where I was born, Poland. And we are building a museum of a cost of \$225 million. Which half is done, supported by people, and the other one is supported by the Polish government. The other half, are it's going to show the story of the Jewish people for 1,000 years, what the Jews have contributed to the country of Poland. It will be opened August 13th, 2013. And we hope that we're going to be alive and be able to go there. But this city, this valley, I will never forget you wonderful people, continue, thank you very much. [applause]

>> Mayor Reed: Thank you all for joining us today, we appreciate you being here. Next item to take up is the consent calendar. I have one request to speak on the consent calendar, we'll take the testimony now. Mr. Wall.

>> Councilmember Liccardo: Mayor is this the opportunity to pull items from consent? 2.9 please.

>> I didn't hear you. Did you call me?

>> Mayor Reed: Yes.

>> Okay. The panel -- okay. This testimony is concerned itself with the various reports. The transportation and environment committee report, there was an item that dealt with the traffic mitigation at City Hall with reference to the ecopass. It's been suspended for some and for others it's been granted. This is a problem. The municipal regional storm drain permit was also discussed. With reference to all the deferrals made by this committee. And then having a principal senior employee of the environmental services department upping and leaving the city in what I would say a lurch, it goes to issue as far as not deferring these reports and holding these people accountable. Another issue discussed was to amend the city charter to guarantee that all San José Police and Fire department personnel would protect all city facilities, and that is in strict reference to the airport. I find it's unacceptable to contract out any type of our security apparatus or functions to third-party interlopers under some guise that it's going to reduce the cost per emplanement when we have deals made behind the scenes to gather additional airlines such as all Nippon airways at a cost to the city that reflects nothing about reducing the cost per emplanement. That should do you for now, thank you.

>> Mayor Reed: That concludes the testimony on the consent calendar. I have a request to pull 2.9. Any others, Councilmember Rocha. Okay. Is there a motion on the ambulance? Motion is to approve the balance of the consent calendar. All in favor, opposed, none opposed, those are approved. Leaving item 2.9 revisions to the environmental procurement policy. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I had a conversation earlier today with Kerr Rae Romanow the director of environmental services. What I'd like to do in the light of that conversation make a motion to approve the staff direction with following amendment that we would allow a six-month period of transition with regard to requiring any recyclable or biodegradable foodware for entities that contract with the city and require permission from the city to use city property or facilities.

>> Councilmember Herrera: Second.

>> Mayor Reed: All right we have a motion to approve with a modification. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I did have some questions for staff on this but clearly Councilmember Liccardo has spoken to staff about this, and generally it was more or less implications of this, given we only had a week or you actually only had a week to look at how this might affect all the city functions. I applaud Councilmember Liccardo for bringing this to our attention and recommending this. Leading by example I think is fine. And I'm really glad he did this. But my question again goes back to staff and is a week really enough to know what we're getting ourselves into so to speak. And clearly if he's had the conversation then I'm comfortable with that.

>> City Attorney Doyle: Let me just try to address this issue. It's probably more of a policy direction than a staff level, staff driven.

>> Councilmember Rocha: Yes.

>> City Attorney Doyle: We did draft the memo out of our office. It is my understanding that this is coming back to committee anyway in March with an update, and then further recommendations. So some of this could be handled administratively, doesn't rereally need council direction, there's council policies. Some of this is coming back in March, we'll have a more thorough discussion then. It's coming back to committee before coming back to council so there's more to come.

>> Councilmember Rocha: Thank you, and again, thank you, Councilmember Liccardo.

>> Ed Shikada: Mr. Mayor, members of council, if I might. Ed Shikada, Assistant City Manager. To Councilmember Rocha's point, I think that as we bring it back to committee perhaps as you might suspect the devil could be in the details so we would like the opportunity to use that vetting that will occur between now and

the committee's hearing of the environmental procurement policy that identify what those details look like and we'll bring that back to the committee.

>> Mayor Reed: We have a motion to approve with the modification. On the motion, all in favor. Opposed, none opposed, that's approved. Item 3.1 is report of the City Manager.

>> City Manager Figone: Mr. Mayor, I have no report today, thank you.

>> Mayor Reed: We'll now take up item 4.1, the construction tax ordinance. We will consider and have a staff presentation item 4.1. 4.2, the North San José development incentive policies and item 4.3, development services staffing needs, we'll have a presentation on all three at the same time. And we'll take public testimony on all these items at once and the council will act on the three individual items. As we wait for the staff to get in place I just have a couple of opening comments. We're taking these three things together because they're all related and of course not just the fact that it's the same staff doing the work but really towards the goal of trying to capture our fair share of the growth in Silicon Valley companies so we get the jobs, the development investment and ultimately the tax revenues. So if you look at what we're doing sort of in the broad view we're reducing fees, reducing taxes reducing regulations and increasing or staffing capacity to respond to the market demand for our services. We have had some great successes with our development service teams, redevelopment staff and Office of Economic Development development staff implementing our economic strategy, working at the speed of business, dozens and dozens of success stories of companies that have located in San José, they've grown in San José. I think in the last year alone we had over 60 tech companies that were served by our special tenant improvements and our industrial tools and expedited permitting processes last year. So we've done very well in that. But Silicon Valley companies are growing, jobs are growing, and we want to keep them here. Demand for office space is on the rise, which is a good thing. We're hoping that these trends will continue through 2012 and 2013 and we have a chance to capture some of it. And really today we are signaling to the market and people making investment decisions that we want their business, we want them to stay here, we want them to grow here and we want them to invest here with the actions we are taking. The staff is going to go through those and then

we'll have our council discussion and ultimately get to taking some action but first, let's do the staff presentation. Going to turn it over to Kim Walesh I think who's going to take the lead.

>> Kim Walesh: Good afternoon, mayor and councilmembers, I'm Kim Walesh director of economic development and chief strategist for the city. I'm here with Joe Horwedel and our entire senior leadership of our economic development team. We are very excited by the challenges facing San José and very committed to execute on those opportunities. I'd like to provide a brief overview of the recommendations that we have before you today and then our entire team is here to answer any questions. As you know, the main plank of San José's economic strategy is to regain jobs and revenue, as the economy recovers. We also just adopted the envision 2040 plan which has jobs first as a main theme. So the opportunity before us is very much to take proactive steps to regain San José jobs and revenues as the Silicon Valley economy recovers. So there's two specific opportunities we see as real estate markets heat up north of us. The first is to accelerate leasing of vacant space. And the second is to accelerate development of new buildings. And we have brought before you three new tools to do this. The first is to reduce construction taxes for tenant improvements for office R&D uses citywide. The second is to reduce the traffic impact fee for new development in North San José. And the third involves increasing our development services capacity so that we can meet and exceed time frames. And the meetings and conversations that we've had with property owners, developers and brokers in the last several months have affirmed the power and the value of these three tools moving forward as a package. And we believe our actions today are going to send a very strong signal that San José is doing everything we can at this critical time to accelerate activity and to be competitive. And we really want to note that being competitive means two things: Number one, of course, it means keeping our cost competitive. But as importantly, it means providing absolute certainty that development services can deliver on agreed-upon schedules. The development community needs to have trust in our staff commitment and our capacity to meet our exceed time lines. So of course, we see a huge and unique opportunity in North San José to accommodate growth in Silicon Valley. First of all, North San José has room to grow. There's a huge, diverse stock of existing buildings. And San José has the largest contiguous development sites available in Silicon Valley. North San José offers proximity to Silicon Valley workforce, our very large stock of housing in San José means that there is a very high concentration of the high-tech workforce that lives in San José. We know especially that companies are competing for young talent, half of

the college-educated 20 to 35-year-olds in Santa Clara County live in San José. And of course, in North San José, we are offering housing immediately adjacent to workplaces with over 8,000 new residential units approved and over 3,000 under construction now. An incredible opportunity to be close to transportation access, including the BART extension which is now coming to Milpitas, adjacent to North San José, light rail and the airport. And last, a really key point: That the program level CEQA clearance is complete for North San José, and as the mayor said, our team has a proven track record of delivering projects on time. Projects like Brocade, maxim, supermicro, SunPower, and many others. So we face this opportunity. Tool number 1, you discussed this at December 13th. This is bringing forward now the ordinance change to reduce the construction tax citywide, for tenant improvements. As you'll recall, we have two combined construction tax rates. The 4.5% used for commercial uses and the 1% for industrial uses. The really critical need we identify was to provide clarity about how driving industry companies which are operating more and more in office R&D environments will be treated. So the action today is to clarify, in title 4, that office R&D, data centers, and the installation of solar systems, will be treated as industrial systems and taxed at the lower 1% rate. This treatment was originally proposed for a two-year period because of the implications it has for funding, the traffic capital improvement program, staff is very comfortable with the direction in the memo directing us to assess how to continue this beyond the March 15th, 2014 sunset date through the budget process. Tool number 2 as I said is all about incenting near term development in North San José. With the policy and ordinance change to temporarily reduce the impact fee. So this is on large projects. And again we're comfortable with the revised recommendation that this would apply to projects larger than 100,000 square feet. It would apply to the first million square feet of new development. This is in place to encourage development to happen sooner than it otherwise would. So it's time-limited. And we're comfortable with the revised recommendation that this apply to projects that would have until December 31st, 2012 to obtain all approvals. And the cost of this is eight to \$10 million. And our strategy is to offset this by seeking additional regional transportation funds. So the action today will reduce, on a temporary basis, the traffic impact fee in North San José from \$12.69 a square foot to \$5. And the third tool, of course, is to increase the capacity that we have in development services. I think it's fair to say that confidence has grown in our permitting process, and we have a growing number of high-profile, very satisfied clients. We wanted to share publicly the quote that was in your memo from the senior director of real estate at Oracle. He provided this to us after his experience with our team occupying their building in Downtown San José. He says, in all the years that

we've been dealing with city jurisdictions, we've rarely seen such a fine example of assistance and diligence to get a project permitted, inspected and temporary occupancy issued. The action before you today is to add development services positions so that we can meet or exceed a customer time line. So you would be approving 21 permanent positions, 11 of those are existing temporary positions that will be made permanent. And ten of those are net new positions. And these span building, planning, Public Works and fire, and all are fee-funded. So to close, we, as a team, really believe that this package will make San José an even more competitive place for leasing vacant space and stimulating new development at a critical time. I speak on behalf of our entire team when I say we are fully committed to delivering to accelerate activity. That means speed, certainty, appreciation, outreach and true partnership, with the development community. So we look forward to answering any questions that you may have. Thank you.

>> Mayor Reed: Thank you, I have a few requests from the public to speak on these topic. I think I'll take these now and we'll come back and talk about these three individually. Please come down to the podium when you're called. Pat Saucedo, Eric Schoennauer, Mike Black.

>> Mayor and council, Pat Saucedo for the San José Silicon Valley chamber of commerce. Good afternoon. The chamber of commerce strongly supports the incentive measures before you this afternoon under 4.1, 2 and 3. You know working at the speed of business on major development projects that can have a measurable impact on job development and new revenue is just one of the critical items that needs to be addressed by the city. And we're pleased to see it before you this afternoon. Currently, the commercial office and industrial sectors are robust. And generating new economic development opportunities throughout Silicon Valley. The package of construction tax incentives, tax fee adjustments and staffing modifications before you will put this city in a more aggressive position to participate in the current economic development bubble being experienced by our local peninsula cities. While the competition for these investment opportunities is fierce, approval of today's recommendations will begin the process of leveling the playing field and putting San José as a very competitive participant in this program. You know, we appreciate staff work, we know Kim and Joe and their staff, the City Manager's office has worked very hard to come up with this incentive package and we're very pleased to see it

before you today and strongly encourage support as provided by the memos by mayor and various councilmembers. Thank you.

>> Mayor Reed: Eric Schoennauer.

>> Good afternoon, Mayor Reed, members of the city council. Eric Schoennauer. I'm speaking today as a direct of the city. Obviously some of these changes may benefit my clients but I'm here because I want our city to prosper economically. I want us to prosper financially. And I want us to capture our fair share of jobs in Silicon Valley. So we who live in the city get the city services that we want. And really, that is what this is about. Your economic development staff and your development service staff is doing a fantastic job. And I believe that the challenge that we face in termination of capturing jobs is battling the gravitational pull to the north. I'm a Stanford alum as many of you know and I have a lot of Stanford alum friends who work at google and Facebook and linked in and all these other companies. And I understand their bias towards the north. I hear it all the time. And it's a strong gravitational pull to the north. So we have to do everything in our power, every step, whatever it is, every, you know people like to talk about tool boxes. We need to load that tool box with everything we can to capture companies' attention to come down here. So these are great steps in doing that. So I applaud you for that. With regard to the staffing. All I do every day is process applications through the city. So I know how the process works. I'm confident that we have reached the bottom in our -- in an upward trajectory. So it is critical that we have these staff positions in the organization, to serve those applications, process them quickly, and get the companies and the jobs here. So I applaud everyone involved and I look forward to more prosperity going forward. Thank you.

>> Mayor Reed: Mike Black.

>> Good afternoon, Mayor Reed and members of council. On behalf of Barry Swenson builder, we would like to say we are in full support of section 4 of the tax incentives that are put forth. Secondly, we'd like to talk about the possibility of including century center as part of these tax incentives. We feel that because this is such a unique product just outside the area of downtown and it's such a high rise development in the North first Street area as

part of the traffic plan fee, that we would fully appreciate any consideration you would have for this type of project. Yes, we know it's -- it lies within a two-block area of where the Hyatt house will eventually be redeveloped, the hotel across the street will be a high-rise hotel and that of course the matrix which is the high rise casino currently under construction. Thirdly, the North San José area development plan includes projects which promote livability, intensified land use, and a note the complementary relationship between the downtown area and North San José. Fourth is BSB in look at the bigger picture of projects in the pipe and projects such as century center, yes, we look at this as one big group. And finally, in closing, we'd like you to consider century center into the residential base incentive plan for both the tax ordinance and for the reduced fee. Thank you.

>> Mayor Reed: Dennis Martin and then David Wall.

>> Thank you, mayor and council, Dennis Martin, NAOP Silicon Valley, the commercial real estate development association. I want to thank you for this package of incentive programs and let you know that NAOP Silicon Valley supports the adoption of this stimulus. We do believe they are good tools, good steps toward getting San José back on our feet, as the capital of Silicon Valley. In truth, the Silicon Valley commercial real estate market has been on -- really on fire for over a year in the north part of this county. And Palo Alto, Mountain View, particularly reaped a lot of benefits. And now you're seeing more growth into silicon -- further South into Silicon Valley into Santa Clara and Sunnyvale. We do think that the -- particularly the tax benefits will help towards stimulus of more development, and we really look for you to make that permanent. As to the recommendations in the memo. We also want to note the cooperation evident in all levels. It's very impressive with various councilmembers signing onto the memos and also, to the outreach to the commercial real estate industry. Many of our members, board members and supporting companies, participated in this program, so we really appreciate the city working with business on this. We'd like to urge you to adopt these programs and continue to be creative, look for ways to improve your business-to-business approach and make it attractive, make it necessary for companies to come to Silicon Valley. We need San José to be an important part of the whole community. Thank you.

>> Mayor Reed: David Wall.

>> The preamble for discussionary period today had everything except for a brass band and cheerleaders which seem to have followed before I stood up here. I think relaxing any fees is contrary to what this city needs. You have an organization that is teetering on the verge of bankruptcy. And what funding revenues that you're enticing to come here is only going to exacerbate the problems of the city because you don't have the services. For topics that are going to go north to Stanford or whatever, let them go. Those places don't have any build-out areas whatsoever. San José will always be in a prime location to build and to expand businesses. And we don't need to rush into this and give gifting of properties to developers. As a matter of fact, you should change your whole business outlook statement of "working at the speed of business" to "increasing the speed of gift giving to developers." Traffic impact fees are for a reason. Traffic is already a nightmare around this city. Reducing these fees is only going to make it worse. In addition, we see today, also, a thank you from a corporate person, from Oracle who benefited. I commend the person for having a modicum of etiquette that will be discussed later today. In short, I think this is a rush, a cry to help, to try to entice in any way a fire sale of the resources of this city for a select group of people that will profit at the detriment to the citizens who are going to have to put up with this for the rest of their lives here.

>> Mayor Reed: Ross Signorino our last card.

>> Thank you, Mr. Mayor, members of the council. I don't pretend to know much about this particular subject here. But it does show imagination. And that's what's created in Silicon Valley, is imagination. Right now, in these desperate times, we have to maybe take desperate action which is okay. And I think that in the future what this will benefit is the finances that we may be losing right now, but in the future, it will bring finances to the city, and we can stabilize our budget. Thank you.

>> Mayor Reed: That concludes the public testimony on these three items. We'll now come back to discuss them and then ultimately take action individually on them. I'd like -- I have some slides I wanted to start with. Get those up. So there are areas in which we're doing great. Working at the speed of business, our specialty tenant improvement program, dozens and dozens of successes. So that's working very well. The housing production that Kim mentioned we had 3,000 units under construction. That's certainly going very well. Retail's doing pretty

good. The @ First project on North First Street, and others, where we are not doing well as we should be is in the new development of R&D office, industrial, whatever you want to call it. What I wanted to show is what our competition is doing. These are marketing brochures that we've collected from Santa Clara and Sunday of projects that are either under construction or close enough to construction that they're beginning to market them. So here's one on Matilda avenue in Sunnyvale. Scott Boulevard in Santa Clara. Sobrato in Santa Clara. It says under construction. Sobrato came to San José first and decided that they would instead make their investment in Santa Clara because they didn't like our development policies, namely the 14 story height and the grid streets. So they went to Santa Clara. Because like many of these developers who are making investments, they have lots and lots of opportunities, and if it's easier to do it someplace else, typically that's where they will make their investment. But they wanted to be in San José, we had a shout at them, and that's one that got away. I think that's Moffitt Towers. You've all seen Moffitt towers on 101. It's pretty much leased up now. Older of new developments. It's the tallest building I think that's been built in Silicon Valley in the last few years. Anyway, it's eight stories, now full. Or at least with major tenants. And then here's one, again in Sunnyvale. These are real projects. Real investments. Hundreds of millions of dollars of projects. Another one on Santa Clara. Canned say I would be too proud of this design. But I think it's more conceptual than real. Know what it's like to the architect but not the prettiest I've seen let me just say nap is that the last slide? I think that's the last slide. That's what's happening at cities around Santa Clara and Sunday. We've been around to take a look at these buildings and what's going on, and there's probably 2.5 million square feet of pretty much under construction or imminently to be constructed in Sunnyvale and Santa Clara. And we've talked to some of our people that we know in the business, and there's probably 8 million total in their pipeline if you include the permitting and planning process. So there's a lot moving. Unfortunately we have not very much in North San José that's moving. And -- or anywhere else in the city. But in North San José I'm particularly concerned about because it's so close to Sunnyvale and Santa Clara it seems like we ought to be getting our fair share of this. What our fair share ought to be I don't know, but I know it's a lot bigger than zero. That's what the competition is doing and part of the reason for having these items on the agenda today is just to adjust to the competition, to try to put ourselves in a better position so that people who are owning property who are getting ready to make hundreds of millions of dollars of investment who look San José and they do look at San José, we're in a better position to capture opportunities. Although we are not going to get it all, we would take it all if we could, we should get some. Even

though people can work in Santa Clara and Sunnyvale, we're happy for them to have jobs wherever that is, companies in Sunnyvale and Santa Clara don't say they don't pay San José property taxes, they don't pay San José utility taxes, they don't pay San José telephone taxes so we don't get anything in the way of revenues. So for every \$100 million in investment you're probably giving up over \$1 million in tax dollars in total. If we can incentivize some of this investment we'll get it back many, many times with other tax revenues. So with that I think we should turn to these individual items and talk about them in whatever order the councilmembers want, one, two or three, or all at the same time. It's up to councilmembers, I know we have people with interest in this and comments so I'll just start at the top with Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. And I would like to put a motion on to move forward all three items. And then I imagine my colleagues are going to want to speak about them individually.

>> Councilmember Pyle: Second.

>> Councilmember Herrera: For 4.1, 4.2, 4.3.

>> Mayor Reed: That's a motion to move all three items pursuant to the memos.

>> Councilmember Herrera: Of the mayor myself Councilmember Liccardo, Councilmember Rocha, Councilmember Chu, and Councilmember Kalra.

>> Mayor Reed: On the three different memos, not all on the same --

>> Councilmember Herrera: Forgive me if I don't cite each name with each memo right now. Chair of economic development I just want to say how important I think this package of incentives really is in terms of making us more competitive. I want to congratulate our economic development staff Kim Walesh for -- and the whole staff for the excellent work they have done in helping us prepare for this and helping us move forward on these incentives. You know we have to be competitive as has been said to retain and attract tenants and end-users and

historically development attraction tends to come to San José after San Francisco and the peninsula development and we've already seen that so we see a lot of activity north of us. But we have had especially with regards to North San José not the kind of development in terms of bringing in companies and really developing that area the way we have seen in other areas. And we need to be competitive. We have to be proactive to work with companies, land owners and brokers to present San José as the excellent location to do business that it is. We need to be proactive to achieve investment and development in this economic cycle which we're seeing this opportunity right now. We want to take advantage of it. We can't say how long this is going to last but we must do our best to take advantage of it. And the three items presented on the agenda today taken together are a sum that's greater than its parts in terms of moving the needle. And that it shows that the City's listening to the development community and that we are a very good partner and want to continue to be a good partner with our - in development with that community. I wanted to ask staff one question in terms of how we're paying for this on these items. If -- it's my understanding on item 1 we are looking at \$450,000 from the economic development enhancement fund. And if you could just take me through the other items in terms of how we are paying for those items. What I want to do is make sure people understand this is not coming from the General Fund and how we are providing this. I think you might have already but I want to highlight that.

>> Kim Walesh: You're correct Councilmember Herrera. Item 1 with the construction tax these are funds that I think you provided leadership to transition them from the former catalyst fund into the economic development incentive fund. And there was a remaining balance of \$450,000, which we felt so strongly that clarifying the reduced tax treatment was so important for economic development, that we have recommended that \$450,000 remaining in that fund be used to back-fill the traffic capital improvement program effectively funding for a period of about two years that first incentive. I'm going to ask Hans Larsen to address the funding of the eight to \$10 million estimated cost of the lowering of the traffic impact fee in North San José.

>> Hans Larsen: Mr. Mayor, members of the council, Councilmember Herrera, let me just kind of step back and paint a picture of how the North San José transportation program was originally funded and then how with this proposal we would look to cover the cost of the development incentive. We've always had, since the plan was adopted, a mix of regional funding, Redevelopment Agency funding, and development fees that would fund a

\$520 million development pack -- transportation package. We increased the amount of regional participation as part of negotiation of the settlement agreements. And then we're also accepting some additional regional funding for the program due to a loves redevelopment revenues. So this provides an additional increment of money that we also look to cover through additional regional participation. When we first started the plan, we didn't know it was a time in which there were very little opportunities for regional funding. We also had other big transportation projects that we were trying to fund including the 280-880 Stevens Creek project, the 101 Tully, capitol Yerba Buena entertaining projects. Fortunately because of federal stimulus dollars that have become available and state bond program which was approved since the program was adopted, there's been lot more regional moneys available that have covered a lot more of our previous high ticket priorities. So we're at a situation now where we feel very confident that the North San José projects are well positioned. Some of them are at a good state of readiness that we think that in the next couple of years or even five year or so time period of the phase 1 plan, that we can secure sufficient regional dollars to cover the development incentive that's in front of you today. So essentially what we need to do is bring in about 25, \$30 million of regional funding into the North San José plan and we believe that we can accomplish that by securing regional funds for the 101 Trimble interchange is one of them, but also another candidates would be the 101 Mabury interchange or the 880 Charcot overcrossing. We are working very closely with the VTA, our representatives on MTC, Sam Liccardo, Carl Guardino, who is on CTC, and raising, you know, the needs that we have in San José and Silicon Valley. And we think if we receive a fair share of money of state and federal dollars, we can easily cover this commitment.

>> Councilmember Herrera: I have some faith in that since we've been able to move a lot of these projects forward and hopefully we will be successful and get even another member on MTC so we'd have a little bit more effect on getting money in for our projects.

>> Joe Horwedel: And related to the staffing positions we're asking for today, those are all funded out of the development fee program so they're 100% cost recovery. It reflects moneys that our customers have paid for services and we are backed up on delivering so it's to catch up on that and also projecting forward where we think the rest of the fiscal year will be. So it's not General Fund.

>> Councilmember Herrera: Just wanted to make a couple of last comments. The second one in terms of impact fees: Nothing from nothing equals nothing so if we're not getting large projects out there we're not collecting those fees so I think trying to incent to have some building happening there and bringing jobs and I think is really very meritorious. And I wanted to address Joe's office. I hear so many great things about the companies that are working with the building department, the special tenant improvement program. And the one thing I do hear is hire more people, hire more people. I think the point today is that the business is paying for these jobs. So these are not things that we are jeopardizing any General Fund money for. The business is paying for them and they want to see us staff up and be ready for more business. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I first of all want to tell you what a stellar job I think you've done, for you all to come together and put your heads together and decide what you can do to make this whole process better, I applaud you for that. I want to say in reference to the shift from \$12 to \$5 I see that as what the market will bear. And is that the main reason why the shift took place? In other words you could have the best property in the world. But if you're asking too much nobody is going to go for it.

>> Joe Horwedel: I think staff went and looked at what our competitors were requiring in way of traffic fees and we were seeing in the range of \$5 or maybe a little bit above that. But clearly when we were looking at \$12 and \$13 in San José we were well above market. So we kind of looked around us and saw our chief competitors and said we need to be at that, or lower.

>> Councilmember Pyle: And another question I had, mayor, you mentioned the 14-story problem. Well that's kind of a maybe problem because you'll notice that the building that Sobrato did put up is not 14 stories. So sometimes what --

>> Mayor Reed: The problem was, we told him he had to put up a 14-story building. He wanted a four- or five-story building. So he said fine, thank you, I don't want to put a grid street through my project. I'll just do something else.

>> Councilmember Pyle: Here I thought I had something there. So I do want to ask, also, when you mentioned temporary incentives, what do you mean by temporary, and how long is that? On Page -- it's right on the original description. If I can find it.

>> Mayor Reed: It's temporary because we only have funding for two years.

>> Kim Walesh: For the construction tax, right.

>> Mayor Reed: We, the council have to figure out how to deal with the budget if we want to continue it beyond that.

>> Joe Horwedel: And related to the traffic fee, the \$5 fee where we would lower that. We recognize one of our goals is to really make a push to have a building come out of the ground in the next couple of years as opposed to ten years from now. And so we are seeing that for this next several-year period that we would lower that traffic fee down to \$5 a square foot. And then when we get to that point then we'd want to assess where we're at at this point. But it's clearly we want to cease a sense of urgency inside the building as well as out in the brokerage development community.

>> Councilmember Pyle: And then finally how do we continue to get the word out? You've shown us several examples, more than several, fliers and that kind of thing. Are we going to be doing the same type of thing, or something else, radio advertising, times when people are in their cars in the morning or at night? Or what kinds of things can we do to keep the incentives moving?

>> Kim Walesh: Well, you're absolutely right. I think a big part of this is getting the word out about San José. We had property owners, developers and brokers tell us, you need to be doing more blitz communication about what San José has to offer and about the happy companies that are here. And so we'll be working with the development community, and with our business partners, and with the media, to continue to get the word out. And clearly, the city council are very important ambassadors also as you go about your business as are the residents and the businesses that are already here in San José. So communications once you have a good product, it's really important to continue to get the word out.

>> Councilmember Pyle: Well, thank you very much. Thanks for a great job.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I'm familiar, want to echo my appreciation to the staff work and also, thanks to mayor for your leadership. We have talked about this for quite some time. And I know my staff being constantly communicating with Ru, on this subject. I'm very happy to sign up to the memo. And there's a little oversight that I have to admit when I signed the memo in terms of reducing, revising the project size. We got it down on 200,000 square feet down to 100,000 square feet. But I felt we should push a little bit further, to help out with some smaller companies that, you know, not these 100,000 square foot companies, your 200,000 square foot companies, your Ciscos, your eBays but a lot of smaller emerging companies to start their footprint in the North San José. So I would like to make a friendly amendment to reduce the project size to a small square footage, I really don't have a good grasp of the size of starting up company, the square footage that it may take. But I know that not a lot of company starting off in North San José would need 100,000 square feet. So I would like to reduce the limit, or to encourage the smaller company to come online. I would rather to eliminate that minimum square footage.

>> Mayor Reed: So we have a request for a friendly amendment. That's on item 4.2 and the memorandum, the recommendation is that it apply to projects larger than 100,000 square feet. So Councilmember Chu is saying that

we should draw that at 50,000 square feet. Staff I don't know if there's a noticing issue on this or any issues with that, we need to refer that to you to look at. What do you think?

>> Joe Horwedel: I would ask that we be allowed to take a look at that. We are going to be coming back to the city council with the downtown incentives in about four weeks or so. We haven't heard anybody interested in a building of that scale. So it's something that I think we could take a look at, and see is there kind of a market there with that or what the consequence of that would be.

>> Councilmember Chu: I appreciate that.

>> Councilmember Herrera: I'd be willing to add that on my motion to have staff take a look at it and come back.

>> Councilmember Chu: Again, the reason behind it is, I wanted to be -- also be able to give the smaller players some incentive. And the second one, I have --

>> Mayor Reed: Let me just clarify. So we have a friendly amendment it's been accepted by the maker and seconder.

>> Councilmember Herrera: I think we want staff to take a look at it. Because we are giving this incentive, but we need to see return for the city and it needs to be -- so they need to take a look and see if there's a market for it and if it makes sense to do that. Because intuitively I hear what you're saying councilmember but I also think we should let staff take a look at that and see if there's a market and a product that makes sense in terms of this incentive program.

>> Councilmember Chu: I believe our local economy, Kim, correct me if I'm wrong, 70% of our local -- business to business tax was actually generated by smaller companies, than your Ciscos and eBays. I believe there is a return and it would be great if we can incentivify the smaller, emerging company to come down to San José as well.

>> Kim Walesh: And Councilmember Chu, we really believe that recommendation 4.1 will really benefit say the small technology companies and small startups. Because typically they are moving into existing space and the tenant costs associated with tenant improvements could be significant for them. So this helps reduce the cost that they face, we'll think more about item 4.2 which is really meant to move the needle on entirely new buildings being built in North San José.

>> Councilmember Herrera: 4.1 could also be new buildings, right, it's not just tenant improvements it could be new buildings but it's not limited to -- square footage is not a factor.

>> Councilmember Chu: My understanding is 1 is tenant improvement only isn't it?

>> Councilmember Herrera: It could be new buildings too. It doesn't say that.

>> Joe Horwedel: This is one of the questions we had this morning, is that the ordinance is drafted, correct me, is that it applies for tenant improvements. So 4.1 was focused on improvements of existing buildings, 4.2 is for building new buildings.

>> Councilmember Chu: Right, that's my understanding.

>> Joe Horwedel: So Kim's comment I think is the right one, that in getting existing building space filled, one of our challenges has been the construction tax that we are now lowering so we're more competitive there. I think the issue that you're raising, Councilmember Chu, is that most -- I have not seen a small technology company wanting to go build their own office space and devote their capital to building the building, rather than to the technology. Usually, the new startups they want to lease space rather than invest all their equity into a building. So that's what I do want to go back and kind of test that and see is there a market out there to build a stand-alone building.

>> Councilmember Chu: Okay, great.

>> Joe Horwedel: This would allow the incubator condo stuff we've seen, that if that was 100,000 foot condo space that chopped into 20 individual units they could do that under 4.2.

>> Councilmember Chu: Okay. And also, that there -- I know there's some, I witnessed some construction going on in North San José, and just the last couple months. I wonder if we can retrofit this incentive to those people that already put the shovels on the ground, to give them kind of -- rewarding their confidence in our city, in the North San José, than just have that pile of money sitting there waiting for the next developer to -- to come.

>> Joe Horwedel: We haven't had any office R&D space break ground that's been paying the North San José traffic fee in probably about two years.

>> Councilmember Chu: I've seen some retail space.

>> Joe Horwedel: Retail is not covered by this proposal as it relates to -- our focus is on R&D office square footage. It's building office buildings, R&D for driving new industries is what this incentive is about. As opposed to retail.

>> Councilmember Chu: Is there any reason we cannot include retail?

>> Joe Horwedel: It is a matter of priority where those dollars go. You just spread them further and further out. And so from staff's standpoint our focus is how do we go forward and bring the next office building into San José to compete with with what's going on around us? The retail is happening without those incentives. So from a I guess good public policy question would be is should we go and incentivize something that already is happening without our incentive.

>> Kim Walesh: And just to clarify, there is no traffic impact fee that applies to retail at this time. So the retail is happening because the market is good, not because we need to incentivize it.

>> Not the big box councilmember. The big box would pay but not neighborhood commercial.

>> Councilmember Chu: Okay, great, thank you.

>> Mayor Reed: On the retail, though, one of the most important things to retailers is the speed of processing permits. So item 4.3 responds to our staffing capacity to help the retailers, because they just need to get moving before they run out of money. Was that it Councilmember Chu? Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Hans, you had mentioned regional dollars for the transportation improvements. And seems like any dollar we get, we'd be able to spend, since there's a lot of improvements to do in North San José.

>> Hans Larsen: Yes. I mean, this is a very bold, ambitious plan in terms of jobs and housing development, and it has a bold plan for transportation improvement. So over the life of the plan it's -- there's a \$570 million total investment. And so we have a number of projects that we think are competitive for regional funds in the near term. And I think one of the things as a follow-up to the work that we've done over the last couple of months, we think it's in our interest to try and get some more projects to a state of readiness so we can attract as much regional funding into this program as we can.

>> Councilmember Oliverio: But there's no guarantee that regional funds will be allocated to San José for this project?

>> Hans Larsen: There's no guarantee. We'll have to apply and compete for them.

>> Councilmember Oliverio: The reason I say that because on November 29th we had a proposal brought to the city council that was talking about \$8.8 million and that was for the housing in North San José since we had filled out our market rate units and then there were the affordable units and then there was some type of ask for hey, you want to build housing then pay us \$8.8 million so we can build some affordable housing when in reality the nexus of that development that \$8.8 million could all be committed to road improvement, is that correct, City Attorney, is that true that those dollars could all be allocated towards the North San José traffic mitigation plan?

>> I'm not sure exactly what exact dollars you're talking about. But to the extent they would have been unrestricted, yes.

>> Councilmember Oliverio: Okay, so that's where do I need to refresh on that one? So if I can maybe state it a different way --

>> City Attorney Doyle: I'd have to go back and look at the action. But yeah I mean --

>> Councilmember Oliverio: It amazingly mirrors the same amount of money that we'd be giving up in this. But on this plan from the staff option, reliance on maybe getting -- relies on maybe getting money, versus we have money for sure. So that \$8.8 million could be allocated to these traffic improvements guaranteed and if we got regional money on top of it then we could do even more. It just seems a better way to fund it than to build further housing that doesn't pay property tax and the road fees and all that type of stuff. I bring that out because it's such a strikingly similar number. That's -- I just want to say that. And with that, Joe, on your team, on being able to bring X amount of people to do all the inspections, do all cities use sworn firefighters to do fire inspections?

>> Not all sworn. It's mostly a mix. Code enforcement versus development side. Development is usually civilians. Sworn does inspections.

>> Councilmember Oliverio: So my guess is nonsworn would be a more affordable cost? A civilian?

>> Joe Horwedel: What the chief is saying is in San José the majorities of staff will do plan check and inspection for fire are nonsworn. They had one sworn officer that was doing I think it was sprinkler or alarms that retired in December. So at this point, it is the staff that does development for fire department is all civilian.

>> Councilmember Oliverio: So going forward it is 100% civilianized for those type of positions?

>> Joe Horwedel: It is the one position that ultimately gets worked out if it gets filled with sworn or not we'll have to work it out but our focus has been civilian staffing for the fire department.

>> Councilmember Oliverio: Because there is a substantial difference on compensation?

>> Joe Horwedel: There is, yes.

>> Councilmember Oliverio: Okay. Just seems as though from what I'd heard that civilians are able to do those types of occupations and inspections and I'd rather have the sworn person do the sworn activities in a station type of thing. But at any rate those are my comments on what's going forward.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. As I look at the North San José item, 4.2, I have a question about the \$8 million that the city would be on the hook on. And of course I support the item that's why I signed the memo. But recognizing that the 101 Trimble is not likely to get funded in the next cycle through CTC and although I think we're doing very well now in the next two-year cycle with discretionary grant money from MTC, I think the county is going to double its share of regional money to a little over I think close to \$60 million in this next two-year cycle which is fantastic. I got the sense that most of that money is -- I think they're going to be discouraging a lot of use on freeways and freeway ramps an expansion of freeway capacity. I get the sense it's targeted elsewhere from all the discussions I've had elsewhere obviously we're still waiting for the final product from MTC. So I'm a little concerned. I guess where I wanted to go with this is recognizing that we've got obligations on

the EIR and with the settlement that we've got with our neighboring jurisdictions to ensure that we have adequate capacity for whatever traffic is educated, if in a perfect world, if all the new employees were riding on tricycles and using pogo sticks to get to work, would it be fair to say that we could expand indefinitely without triggering any new requirements for capacity expansion under the EIR, is that fair? In other words if we don't generate the actual trips?

>> City Attorney Doyle: I think that -- well, I'll let Hans deal with the transportation impacts directly. But the assumptions under the EIR and the mitigations required under the EIR require that they be funded. I think for a long time the assumption was, developer fees and redevelopment moneys would pay for it.

>> Councilmember Liccardo: Right.

>> City Attorney Doyle: Just on the settlement itself, the settlement contemplates regional funding in large part for a number of those in Milpitas and in Santa Clara. And with respect to Montague, the county, the city was going to spend \$11 million.

>> Councilmember Liccardo: I'm aware of where the money was supposed to come from. I guess my question is a bit broader which is, seems to me if you've got more people coming in the area, there are two ways you can build -- address that. You can either build more roads or you can find alternative ways to move the same people. And the question is, if instead -- and we already have a TDM policy, part of North San José, around 23 or 24 in the program you provided us, clearly contemplates the use of ecopass and you know we're rolling out a car share program downtown in the next couple months. We've got a lot of opportunities for developers to kick in. Is it possible that those mitigations might both reduce the City's \$8 million requirement under the EIR, as well as possibly enable us to reduce fees for developers, where they're kicking into those alternative measures rather than us just building out bigger roadways?

>> Hans Larsen: Let me answer that Councilmember Liccardo. The plan that we have for North San José is very progressive and bold in terms of having people travel around the area and into the area, with alternative

transportation modes. As you recall, the plan is built on having jobs and housing closer together. So that we maximize opportunities for people to walk by, can take transit. And as you mentioned, there is a very bold TDM program that encourages use of ecopass and employee shuttles and things of that nature. I think what we've done with the EIR is, made a credible case in estimate in terms of what we can expect in terms of alternative transportation use. Certainly, I think we would like to push it further. But I think that what we would need is really more of an actual demonstration that the projections of that kind of mode shift are actually occurring before we could make assumptions that are bolder than what we have in the plan. So I think it's an idea as perhaps North San José develops further and we're seeing what the trends are in terms of alternative travel that we could use that in assumption going forward and perhaps adjust the plan in the future. But I think that in terms of having a credible EIR, given what we know and current travel patterns I think sort of the safest course is to stick with what we have now and kind of just monitor it as things go further.

>> Joe Horwedel: I will add, we did accommodate that in the North San José area development policy. On page 19 is what we call low intensity uses. And it recognized that though we modeled traffic at an R&D level for office space and how many trips per thousand square feet, we recognize that sometimes it's going to be higher, and somebody's going to want to put more parking on the property, and they pay the traffic fee. As I said, if they are willing they have a low-intensity use and they are willing to restrict the site, develop the site to that low-intensity use, you actually can pay a much lower traffic fee based on that lower intensity. But it's pegged upon how much parking you provide on your property. And that's one of the earlier ideas we looked at was just regulating how many parking spaces per acre. You could have X amount of parking per acre and build as much square footage as you want. But the market wasn't ready to get there yet. So we built the trips around it. The EIR's done this way, the development policy's done that way, but I think we've got the policy bases, the CEQA basis to go there if the market's ready to go there.

>> Councilmember Liccardo: And I appreciate their uncertainties here. I am just worried we're missing an opportunity. We built a light rail line right in the heart of the North San José corridor. We've got opportunities now we're rolling out various innovations around car share and so forth. And we also have -- you've already mentioned what we've got right there, page 19, we also have parking cashout programs that are contemplated on page

24. There are some explicit measures that employers could take that would unequivocally reduce the number of cars that travel on roads. If somebody oops losing their parking spot it's pretty clear they're not traveling by automobile. I think there is a lot of data out there about what car share does when it's utilized with lots of employers up the peninsula and in San Francisco certainly, in terms of utilizing transit recognizing that workers will know hey there's a car available if I need to run an errand. I think this is an opportunity where we're reducing fees, I don't want to hold this up any, we want this to go forward. But isn't it possible that staff could take a look at this and say, is there a number that where he think we could get to that would both reduce fees and reduce the City's burden and actually get us somewhere closer to our general plan 2040 goals, recognizing right now we've got largely a North San José plan that's contemplating \$500 million of buildout of more roads which certainly doesn't satisfy any of our goals and --

>> Joe Horwedel: We have put forward those -- before we talk with every developer when they come in about -- that's doing structural parking about do they really want to build parking spaces at 20 and \$30,000 a parking space. And their answer back is to be competitive in the marketplace they need to provide that parking. If you look at the slides the mayor showed they were advertising 3.3 spaces per thousand. Those developments are designed 100% around the car.

>> Councilmember Liccardo: Agreed but those are developments in Sunnyvale.

>> Joe Horwedel: But that is our competition. That not only do we have to compete on price, we have to compete on amenities. And when tenants are shopping you know the facilities people from these companies they start with parking. They start with you know proximity to CalTrain but it's still they want 4 per thousand, 3.5 per thousand.

>> Councilmember Liccardo: I agree, Joe. But I think every developer in the valley is saying how red-hot the CalTrain corridor is, and there's one reason, because there's CalTrain there. And I think we have to recognize the assets we have and what I'm concerned is that developers aren't going to turn to page 19 or page 24. We need to be explicit about what will it save in hard dollars. And I think we need to put those dollars up front and make it

easy for people to make their choice. The young creative talent they're trying to attract, the engineers and designers are looking for alternative ways to live other than being chained to a car in the suburbs. And I think employers recognize even if developers don't yet. And I think if we make that more explicit as part of the program, we'd go a lot further. Now I know we've had this conversation in different contexts because four years ago I was putting on proposals, could we do this, at least in the downtown, maybe in North San José. It seems to me as long as we're providing a two-year incentive program, could we come back in a few months at least look at are there hard numbers that we could provide developers and say this is what it will say to you and save the city if you guys decide you're going to have a cash-out program for parking? Is that doable?

>> City Attorney Doyle: I any we can look at that. I think the concerns are always do you retrigger the reopening of the EIR? Do you need to either through amendment or supplement because you're changing the project or changing mitigation requirements. But just like when this North San José EIR was adopted and the whole plan was adopted it was a different world and different set of assumptions and I think we're coming back with sort of a new reality, and we need to come back and report to the council with what new ideas we can come up with.

>> Councilmember Liccardo: I'd like to make the friendly amendment that we'd be able to come back with that if the maker of the motion is inclined.

>> Councilmember Herrera: Yes, and I think what's important is that it be market driven. And I think your idea of putting the options to developers and folks that might -- companies that might be moving in so that they can see that there would be some savings. It wouldn't be the city telling them they had to do this but showing the opportunity so that they might want to choose to go that direction. I would support looking into that, absolutely.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Okay, so we have another friendly amendment, second referral to staff.

>> Councilmember Liccardo: Thank you. Just on the EIR issue, Rick, your point is well taken but I don't think we're going to be triggering any limits on the EIR for many decades. So I'm not saying we should just visit our sins on another generation, because we've enough of that in the city. But I think we've got enough room to be able to correct if we find out you know not everybody's jumping on light rail. Again I don't think we're going to make that assumption either.

>> City Attorney Doyle: I think we just have to look at what the EIR -- certain assumptions can be in the EIR that don't pan out and certain mitigations may be required but that's something we need to get back to you. I don't have a good feel for right now as to what the requirements are so we need to look at that.

>> Councilmember Liccardo: Okay great. And then also, Hans, as we look at North San José plan, I'm looking at it again. Since we passed this what, about a year and a half ago and looking at the major roadway projects that are planned out and they're describing phases on page 25 and I see that 1 '01 Mabury is described on page 4 oops and now that we're going to be under construction with BART very close to that Mabury intersection in a matter of weeks, if it just so happens that you know that passes the MTC and VTA beauty contest and moves up in priority, and we're underway on construction on phase 4 do we get any credit for that in terms of phase 1 and 2 in terms of mitigation?

>> Hans Larsen: Yes. We believe so. I think we -- the program is an overall package of improvements to support the overall plan. We had identified a quarter of the transportation investments in each of the four phases. But there is flexibility within the policy to move projects within phases. So I think certainly, yeah, with -- at the time we prepared this, we certainly didn't know what we know now about the BART project and the importance of projects like 101 Mabury. So I think as we come back on this, I think we can look into that issue a bit further and there may be some new strategies in terms of which projects we seek regional funding for in which phases of the program.

>> Councilmember Liccardo: Thanks Hans. Last question Joe, Mike Black came to the podium with a question about century center. My understanding is that since it's part of Rincon De los Esteros it would qualify under the discount that we've got in 4.2, is that right?

>> Joe Horwedel: The traffic fee with 4.2 is related to office R&D and not residential.

>> Councilmember Liccardo: Right, got it.

>> Joe Horwedel: I think what they're looking for is one is the ability to allow their permit to stay -- have a longer life. So they stay in phase 1 because right now it ends in July. Staff were prepared to extend that because we do think it makes sense to retain that phase 1 allocation. And then as we come back and talk about downtown incentives next month on residential and office, the council referral, originally as staff we had used that project as one of the prototypes for us to think about, is it -- should we be trying to do high rise residential somewhere, that's a project that we think probably is at the top of the file of ones that might happen as well as one or two downtown. So when we come back to council, in the next couple of weeks, staff's recommendation I think will say we should look a little bit broader that happen just downtown with that.

>> Councilmember Liccardo: Okay, I don't want to jump ahead with that issue.

>> Joe Horwedel: We'll come back to that.

>> Councilmember Liccardo: I appreciate you being clear about the fact that I recognize now it's a residential project. Thank you for correcting my mistake. Is there a reason under 4.3 with the additional staff, recognizing certainly large projects, large companies have very complimentary things to say about what we're doing, it's been more uneven with regard to small businesses. Certainly.

>> Joe Horwedel: Absolutely.

>> Councilmember Liccardo: I know you and I have had those conversations. Why not a small business ambassador among the staff that you're hiring?

>> Joe Horwedel: It is not out of the question. It's really a function of how we pay for that service. Because the small projects, when we were running it before were not generating enough revenue to pay for that extra level of staff. And the smaller customers are most price-sensitive. We're talking about the barber shop and their permit cost and those costs were way too high. But it is our toughest group of customers to serve, is the small, one-time customers. Can we bring that back and pay for it living in the word of the state law that says I can't use big customers' money to pay for small customers. So we will be coming back with some thoughts around that probably through the budget process, but in the meantime, as our conversations that we had with the office developers we got some comments around that, that we are going to go back and work to see how we can do better.

>> Councilmember Liccardo: Okay, great. And then finally, I'm sorry this really is my final question, on page 3, the 4.1, the first memo that was submitted by staff there's a chart that describes the rate and evaluation. This is actually an old memo from November. It describes the rate and valuation of residential commercial and residential, those two sets of taxes, construction excise and building and structures. What I observed is on the residential the 4.5 rate is taken out of 80% of the valuation whereas the commercial stacks on the entire evaluation. I'm wondering clearly commercial is disadvantaged relative to residential and we'd all love more commercial, certainly. Why that discrepancies? Is there a two 18 --

>> Joe Horwedel: Just the way the tax was established years ago. Some ways what we were focused open as a city in the '80s was about building housing. Just -- that's why we talked about modernizing the tax, there are things like that how our tax rates are set up don't necessarily reflect our goals that we sit as a city.

>> Councilmember Liccardo: Do we have to go to the voters?

>> Joe Horwedel: It has to go to the voters that's why it has never changed.

>> Councilmember Liccardo: We can reduce the commercial rate, without going to the voters we just can't do anything --

>> Joe Horwedel: Yes.

>> Councilmember Liccardo: That's worth considering, thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just a quick question to staff and Joe you can help me with this. Do we currently on all development projects ask for comments from the fire department?

>> Joe Horwedel: Not necessarily. But with the most recent building code that adopted across the State of California, all new single family homes, for example, are required to be sprinklered. Those require fire review where previously they did not require that. There are some things that have changed statewide nationally that are now hitting us that affect our staffing and our ability to deliver service.

>> Councilmember Campos: And what about commercial, are we requiring fire review?

>> Joe Horwedel: Pretty much most commercial buildings have fire systems and alarms built into them nowadays, the new codes require them on just about everything.

>> Councilmember Campos: And they're requiring review from a professional fire personnel?

>> Joe Horwedel: Correct.

>> Councilmember Campos: I think the reason I'm asking that is the last thing we want is to price ourselves or make a bad decision on who reviews sets of plans to save a little bit of money. Especially, when it comes down to you know, human beings are going to occupy these buildings, especially commercial. We need to make sure that a professional fire personnel is going to say, you know what, you did not skip that, and this is correct, and this

building, we're signing off, that it's safe, after all, I believe before a building can be occupied there has to be a fire inspection, is that correct, as well?

>> Joe Horwedel: As a part of the occupancy for new buildings there is a requirement that it's complied with all of the applicable codes. In most cases that does require a fire sign-off, yes.

>> Councilmember Campos: I just want to be sure that we don't lose sight of that, that's important. Safety of the workers that are going to occupy these buildings is always going to be held at the top of the list. Thank you.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. And I want to thank my colleagues for their work on these memos and including me in this and also staff for their work on this. I had a question about the North San José area and reading through this forgive me if I missed this but was there any discussion about identifying this incentive for just the core as opposed to the whole North San José development policy or did I miss it and it's just for the core?

>> Joe Horwedel: It would apply to all of North San José. We don't have anything separate for just the core yet.

>> Councilmember Rocha: But it is -- okay.

>> Joe Horwedel: It would apply there.

>> Councilmember Rocha: Okay, all right. And then outside of that there was mention of the the grid streets and how that was seen by some property owners or developers as a hindrance to do, and it comes to mind is the Sobrato property on Skyport I believe where there was some initial discussion with them about a grid street on that small parcel and according to them that was one of the reasons they didn't move on that. Did we look at

maybe considering eliminating the whole grid street concept and whether that applies in the core? I think that applies exclusively only in the core.

>> Joe Horwedel: It applies in -- the grid streets are most prevalent in the core because that is where the highest level of development is planned. But we do talk about the need in the balance of North San José, that as we look at redevelopment sites to fill in some missing pieces of street network, as a way to move traffic around without putting it all onto the major intersections because we didn't plan on building those out even bigger. So it is one of the things in the memo to come back and look at are there places of how we talk about grid streets that we add flexibility in places? On the Sobrato property is one where we actually came back and said the grid streets didn't apply there. I think the real issue is staff, it took us much too long to come to that conclusion that the grid streets were not appropriate there but those were discussions that were happening I think back in 2007. So it's not a discussion that happened last week. It has -- it was back in the heyday when we were processing 13,000 housing units and probably about a million square feet of office space. So I think it was a little bit different but it does warrant coming back to look at that.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Since these memos have been friendly amended a few times I thought I would add something that would you be open the maker of the motion to have staff come back and look at the \$8.8 million that we are going to allocate towards affordable from the market rate housing developers, and instead allocate it number 1 to traffic impact fees? And again I'll just be very clear of our City Attorney, City Attorney, when we ask market rate developers to provide us funds so that they can build their housing units and that funding was going to go to build affordable housing units could that money instead be spent within the radius of those developments on traffic impact?

>> City Attorney Doyle: Well, if the nexus is there between the development of the market rate housing and the impacts and the required traffic impacts and it happens to be 8.8 million, I don't have independent verification that it's that dollar amount, then yes. That is something we would have to come back and give you that review. Now independent of that we still have the City's inclusionary policy, and the Redevelopment Agency's inclusionary policy and those requirements still remain until the council deals with that policy.

>> Councilmember Oliverio: Well, the council can make considerations on whether it wants more jobs or more housing.

>> City Attorney Doyle: That is a policy call.

>> Councilmember Oliverio: Again the friendly amendment is to have staff come back when we have that friendly discussion to tell us can we legally spend that \$8.8 million on transportation infrastructure and/or what does that \$8.8 million buy us? Just so when the council makes that decision, we know when we're choosing between more housing or allowing for the opportunity for more jobs to happen in North San José.

>> Councilmember Herrera: Well, I understand you know your point. I think it's kind of a separate issue from what we're looking at today. It's something that's already been decided in terms of affordable housing. Council weighed this and made a decision. I think we're kind of opening up something we already made a decision open.

>> Councilmember Oliverio: It's coming back to council though.

>> Councilmember Herrera: I would like to hear staff's thought on it, that's my initial thought.

>> Joe Horwedel: We are literally working on the memo right now, to come back to council, picking a developer for those units, and of what the number is and I think it's somewhere in that range. Because that is not a nexus requirement, it is not meeting the inclusionary requirement because of the Palmer case, it is a negotiated deal with that developer to move forward into phase 1. And so in some ways it's -- probably will be in a development

agreement type form that this comes forward to the city council. And so I think with that the council by policy has said it should be used for affordable housing but I think you do have the discretion by policy where you would put those dollars.

>> Councilmember Oliverio: Well if it's council discretion I certainly would like the council to have that option versus relying on supposed money that may come from regional transportation funding when we have cash in hand.

>> Mayor Reed: Leslye Corsiglia.

>> Leslye Corsiglia: Thank you, Mayor, Leslye Corsiglia director of housing. We did discuss this before as the councilmember said. Right now there is no allocation for market rate housing left in North San José. There's only allocation for affordable units. So this was a tradeoff for the is loss actually of a substantial number of affordable units so that's what we brought forward to council and that's what was discussed and that's what we'll be bringing back.

>> Councilmember Oliverio: I believe if I go back to that original memo on November 29th, one of the options was just for council to drop the requirement and then take the money and spend it on transportation so that we could allow a new corporate headquarters to be in North San Jose. So if -- so a simple question on the friendly amendment either way.

>> Councilmember Herrera: I'm going to decline.

>> Councilmember Oliverio: Thank you. Unfortunately I would love to be able to support this but I cannot support things when I see a row of inconsistency and when we're trading one thing for something else when the most important thing as we talked about since Janet Gray Hayes is to have more employment in San José and less housing. I could support it if it is decided that the money we are trainings improvement that makes sense to

me. This albeit good and I appreciate the efforts of our mayor, it seems like we're not taking the money that's in hand for the potential to be, versus relying on a what-if. Thank you.

>> Mayor Reed: I think that just about concludes the council discussion. Hi a couple of follow-up comments and questions. The first I'm going to go back to the 14-story buildings and the the grid streets and the height and density issues. What we're seeing in the valley is not two-story buildings, not 20-story buildings. The market seems to be between four and five and eight-story buildings and we have to be able to respond to that or else nothing happens which is what we've seen over the last few years. And whether it's the grid streets or the heights the combination of those it's certainly an impediment to doing development. And that's why I've put it out there as something that we need to deal with. It's not the first time we've talked about it. The developers who participated in the charrette four or five years ago identified that as a development problem. And which has turned out to be certainly true in terms of the output and what we've seen in our development efforts. But we have over 300 acres of prime developable land in North San José. We have a few -- almost all of the large sites where you could put in a million or 2 million square feet, intergalactic headquarters, and if we have you know this opportunity but if we start chopping them up with grid streets then it's a different kind of a product and a different kind of a market. So we just have to be able to respond to the marketplace and as the marketplace changes we can change. The second area is, why is it so difficult to add these jobs for the development services staffing? And shouldn't we just give you double what you're asking for today, so you don't have to come back in hopes that things get better, and you know, we can grow with the market because we're always six months or a year behind where we should start the hiring process to get people in place to do that. So my wife is in the cancer-fighting business. They have patients who come in every day to get their drugs in their infusion center. Doesn't matter if somebody is sick or goes on vacation or quits, the patients still show up. They use temporary people, they use casual people, they use all kinds of categories of people. Because the market is there, the work is there. And we need to figure out a way where we can do all of those things in order to meet the demand. So that if somebody retires we don't go two months before we can fill the job or somebody is out for two weeks on vacation, that we have people who are picking up the work in the meantime. And I don't know what the answer is on that. But we have been through this before when we're always behind and you know Joe can't hire the people or he captain get the people or

something. -- can't get the people or something so why don't we just double your request today and avoid the next round or is there a better way to deal with this?

>> Joe Horwedel: I certainly would appreciate that. I think part of it is the functions of government and budgeting and stuff like that that north for us to add positions that we have revenues and that those revenues are there so there is always kind of that tension of things. As Kim noted, we have this fiscal year added a number of overstrength or temporary positions since the council approved our budget. So it is literally every month we are talking to the budget office where based on what's going on we'd like three inspectors here, we'd like a plan checker. And we've been able to fill those positions off of the re instatement list fairly quickly. What we are facing is a double-edged sword, since also had six inspectors retire. So essentially I had to go find 12 people. And that's kind of the challenge that's going on right now. That we've exhausted our list and where we had anticipated that we would be able to -- how much time we would have available for reinstatement list, that essentially got cut in half, without us really being ready for that. So we are doing recruitments right now for all three electrical groups, for engineers, we'll be starting up with planners. Which we haven't had to do in three, four, five years, where we have gone out, it has been really challenging. We did go out, try to hire engineers back in December. And we really had very little in qualified candidates apply. Because we were offering temporary positions. So like I said, I would definitely take twice as many out there. To have permanent positions for me to have on the books to go recruit when I need them. But I don't see that that's kind of in the cards, without saying a big General Fund number sitting there behind it.

>> Mayor Reed: Well, who deals the cards. City Manager.

>> City Manager Figone: Sometimes I do. This staff, correct me if I'm wrong, I would think that we would certainly benefit from council authority to have the positions on the books. What we couldn't do without coming back to you is to appropriate money behind them. So I think missile administratively what we would have to do is monitor that and then to the point there would need a appropriation come back to you but to have the positions on the books and to be ahead of the curve. And I would just draw your attention to Jennifer would have to certify that the revenue would be there, that's on page 8, I think that's the legal part of where we end up to.

>> Joe Horwedel: At home when I end up with an extra \$100 in my checking account, I recognize it. Because I see it. In government we don't recognize it until we go through a process and come to council and normally do that once a year. So that's one of the things we're disconnected on. So --

>> Mayor Reed: Well a couple of years ago I think budget cycles back we gave you some one-time funding to expand, I don't know, special tenant improvement program or something, because we didn't know if the revenue was going to be there.

>> Joe Horwedel: Correct.

>> Mayor Reed: So I just need you to tell me, and I'm speaking to the City Manager, what do we need to do up here, that will give you the power, the authority, the ability, whatever it is you need, to be ahead of this problem? And let us decide about the policy, and if it takes some one-time funding, well, we have a budget process and we can deal with it. Just tell us. I think you'll find that council is very supportive to have new staff to meet the demand because we all get small businesses and large businesses who we want to come to the city. And sometimes we just can't handle the workload.

>> Joe Horwedel: As staff we were very appreciative that the council did that. We used that to staff ourselves up and we marketed the heck out of it and we filled every one of the seats. That money went back to balance the budget last year in the General Fund. So we had kind of assumed that that would be like a rolling fund. So that would be maybe my one suggestion this year in going through the budgeting process if in fact we have some General Fund money to put there essentially as that reserve, but it does mean that we're not funding something else. But that was that relief valve we used for a year to make sure that we could staff ahead of things.

>> Mayor Reed: Okay, well, that would be my request from the staff, just tell us. We're anxious to help you solve this problem.

>> City Manager Figone: We will do so.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Just a little deeper on that question. Can't we change the process, as a council, and simply unshackle you and simply create an ordinance that says, for specified departments, the City Manager has authority to create permanent additions?

>> City Manager Figone: You know I think we have the flexibility through the overstrength process. What it gets down to what Joe's very conservative and we appreciate that as a department head, is around the appropriation piece. So let us run with what you've authorized today. And take this as a mandate, that we unshackle ourselves and bring you back options.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: All right, we have three motions on the floor, or three items on the floor and one motion. Councilmember Oliverio indicated he was going to vote against one or more of them and the question is, should we separate these out to have three different votes? Councilmember Oliverio? Or you want to understand which one?

>> Councilmember Oliverio: Mine is dealing with traffic impact fees memo.

>> Mayor Reed: Could we have one vote with an indication he'll vote against it? Councilmember Herrera?

>> Councilmember Herrera: I'm going to reconsider and accept his friendly amendment because I think the staff will come back with that information and we'll have a chance to vote on it. I think it's not going to go the way you want councilmember but I think you have to right to get the information.

>> Councilmember Oliverio: Thank you, councilmember, for that consolation. Whether it goes my way or not I want the allocating money towards so that's what I want the conversation to be. Thank you.

>> Mayor Reed: I think that's three friendly amendments we've made with referrals to the staff on the motion, all in favor, opposed, new opposed, so that's passed unanimously. Thank you staff. Good work. We now have some joint items, city, Redevelopment Agency board items, 9.1 and 9.2, the amended enforceable obligation payment schedule and declaration regarding debt forgiveness and the amendments to the agency's 11-12 budget to reflect the changes the state has forced upon us. I don't know how staff will present those but I'll leave it occupy to them. City Manager.

>> City Manager Figone: Thank you, Mr. Mayor, we have had changes unfortunately that have been forced upon us. I did want to introduce this item to first of all call your attention to what you already know but today is the last day of existence for our San José Redevelopment Agency. At midnight tonight redevelopment agencies throughout California will close down and the council made many comments last week as we brought this item to you today is the final cleanup. But I just wanted to restate that we are losing a valuable and effective tool for revitalizing our communities, building strong neighborhoods, creating jobs and a vibrant economy in supporting affordable housing for our residents. And I think that the council and former councils can look back and be very proud of all of the accomplishments of our agency and how they have transformed San José for the better over the years. And we can also be very proud of the work of our many dedicated employees in the agency, and the city over these years. This was a very sad day for them. And as our director of housing, Leslye Corsiglia reminded me this morning, however, that we must do what we can to see this moment as an opportunity, rather than as a loss and build upon our solid foundation. So what you'll hear in a moment under this item is that we have a lot of work ahead of us to wind down the Redevelopment Agency, sort out the requirements of the law, our financial obligations and the impacts on our employees in the agency and other departments such as housing. This will be complex and difficult. But we do have to keep in mind a very important goal, and that is, we are not dismantling the agency, but rather we must identify new ways to strengthen our economy and encourage new opportunities, such as you just did in the four -- the three items in the 4.0 section which just concluded. So I thank everyone on

our staffs who have done so much over the years and during this very difficult transition period. We all look forward to working with the council moving forward and so with that, I believe I'm turning it over to Norberto.

>> Norberto Duen,,s: Thank you, Deb. Mayor, members of the city council, Norberto Duen,,s, i'm here with managing director Ript Keet and Leslye Corsiglia housing director and the rest of our redevelopment transition team who has been working very hard over these last two weeks to meet the letter of the AB 26. The item before you seeks your approval for actions needed as a result of the state's decision to dissolve redevelopment. As we all are too aware and as the manager mentioned just now, the Redevelopment Agency will dissolve effective at midnight tonight. Many steps are required as you can package when shutting down a \$4 billion operation. The council and agency board took several actions last week to prepare us for this significant undertaking, and a lot more work needs to be done. Today, we are requesting approval of the second amended, the enforceable obligation payment schedule, also known as EOPS which details the expenditures that the Redevelopment Agency and the housing department as it relates to the 20% low and moderate income housing fund needs to make over the next five months. Any expense that is not detailed on this schedule cannot be paid for. Though there are opportunities to adjust the schedule, if we find that some expenditures are not adequately recorded. The council originally approved the EOPS in the fall for the period ending December 31st. And this amended EOPS covers the period January 1, 2012, to June 30th, 2012. The memo details the changes that were made in the document including removing projects that are now complete. We do have one change to note, however, that the remaining obligation for the section 108 loan, in section H of the document, should read, 1,805,587. In addition, we are requesting your approval to declare as required by law that the Redevelopment Agency has not taken any action to forgive the repayment of any loan, advance or indebtedness owed by the city to the Redevelopment Agency, or owed by the agency to the city, between the period of January 1, 2010, and December 31, 2011. And lastly, last week, Councilmember Liccardo asked a question of staff relating to the Brandenburg housing development inquiring as a housing asset it should be transferred to the city. For the reasons outlined in the memo we are recommending that it preview. In closing we will be coming back to the council later in February with a document called the recognize obligation payment schedule which is similar to the EOPS but which does not include city agency debt. We will need to update this document on a regular basis moving forward. With that, your staff is available to answer any questions.

>> Mayor Reed: All right, I have a few questions. Are you just talking about 9.2 or 9.1?

>> Just 9.1 at this time mayor.

>> Mayor Reed: Just talking about 9.1, Councilmember Oliverio.

>> Councilmember Oliverio: I guess the question is to the staff and enforceable obligation whether or not if successor board and oversight board will approve them as we want them. Do you feel every effort has been made to interagency loans have been made anything like that?

>> City Manager Figone: Rick can assist, I believe the payments need to be made in the order that they appear because they're from senior debt down through the water fall. And in terms of what is allowed under the law, I don't know if we've been able to influence some of the things that we attempted to. Leslye --

>> Leslye Corsiglia: Certainly. The legislation lays out an order of what -- the funds -- what is to be paid for first, although there are some things that are not spelled out clearly. That's where we're going to come forward to the oversight board with our order that we believe that the funds should be paid in, and that will -- it's part of what we have called the water fall of debt. So there are things like pass-throughs that need to be paid first as well as senior debt that needs to be paid first. Those things will be paid at the beginning. And then other -- other obligations will not. I know one of the concerns for the General Fund are the items that are in section H. And those items according to the law, and again, Rick and Patty or Tom Murtha can speak to this. Are not considered valid agreements going forward. That's something that we are looking to change in legislation. And so we have been working on that since the fall. Hopefully there will be cleanup legislation. There was action taken on the senate floor today where that desire to bring forward cleanup legislation on AB 26 was reiterated. So hopefully in the next few months we'll be able to influence that. But for right now that's where we stand.

>> City Manager Figone: The other concern we've had has been the administrative expenses and the -- as I understand, they are not -- we can't take them off the top. And so they would have to come from funds at the end of the water fall. And given the amount of debt and payments that we have to make, it could be that the General Fund will have to cover the cost of the administrative expenses.

>> Councilmember Oliverio: We discussed that last week, deciding whether to be the successor agency or not. That the administrative fees are -- I think they're below probably the county.

>> City Attorney Doyle: That's correct, that's correct. And I would just add I think to your question about are we trying to protect the General Fund? Yes. And specifically, where there is -- well first of all fortunate there is not a lot of convention center debt service stands out, as primary and that's about \$15 million a year. The fourth street garage also stands out, that's about \$4.8 million a year. Those are listed on the enforceable obligations as obligations of the Redevelopment Agency because we have agreements from the agency and those were already originally part of the original bond issue. So that's about \$20 million protecting the General Fund. Where the General Fund's at risk are through the CRAF payments there's about \$10 million in special funds and that's in section H as Leslye pointed out and those under the current legislation go away. And that money is something I think we're going to try to -- we believe it was an arm's length deal. Certainly it was necessary to pay the state ironically. And we think there's a good case to be made as part of cleanup legislation but we have to see if we get those types of things through.

>> Councilmember Oliverio: Looking at section H the ice center sewage fund and park trust fund about \$20 million. If I recall though council did not have to borrow those funds when Schwarzenegger gave all redevelopment agencies to borrow all moneys from the housing department to pay the CRAF fund that was an alternative we did not pursue.

>> City Attorney Doyle: Our source of funds was about \$40 million from housing, 25, funneled through the housing department the commercial paper program as I remember.

>> Leslye Corsiglia: At this point the housing fund has paid closer to \$50 million because there was a decision to pay about 13 million in commercial paper but the housing department fronted those moneys.

>> City Attorney Doyle: Commercial paper was not issued then.

>> Leslye Corsiglia: Yes, that's correct.

>> Councilmember Oliverio: Well we can only hope that cleanup legislation will be able to recoup these \$10 million i.e. could have been avoided with a different way of financing the CRAF. And finally if redevelopment agencies are dissolving, where is the obligation to pay back CRAF, if there's no other agency that exists anymore? Do you see what I'm saying there City Attorney?

>> City Attorney Doyle: It is a obligation and it's recognized under the law and that's why it's listed in the enforceable obligations so it will be paid back albeit it is not a senior debt. It will be paid back over time.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. I just had a question about the bond down grade or the rating down grades. With the additional interest costs that we have, I'm wondering if there are any obligations that we cannot meet as a result of the additional guessing about \$660,000 in financing cost we think we have to absorb. Were we kind of expecting this and did we create some cushion here or are we having to move some things out of the way and if so what are those things?

>> Councilmember Liccardo, one of the things we'll get to in the budget amendment in the next item is, we have extra funds available that are in the amended budget to take care of these existing down grades. Hopefully, there won't be any more during this period. But yes, there's funds there that we set aside.

>> Councilmember Liccardo: Is there reason to expect that if this transition goes relatively smoothly that we expect it will, hopefully here in San José I can't expect in other cities, that the down grades would have hit bottom ? I mean the markets aren't going to continue to be --

>> I don't know if anyone can answer that question. As you recall the last down grade wasn't anywhere specific. It went to all redevelopment agencies across the state.

>> Councilmember Liccardo: I see.

>> Hopefully they have accounted for that but I guess as various transition occurs, across these 400 agencies there's a potential for that.

>> Councilmember Liccardo: And at this point there's not any opportunity for us to look at alternative means of financing in the fixed rate products or anything is there? Are we pretty much stuck with what we've got?

>> City Attorney Doyle: I don't know, as ongoing and I'm looking at Julia and Abe, looking at opportunities to refinance, if I'm not mistaken.

>> Leslye Corsiglia: Would it need to be approved by the oversight board. But beneficial to the waterfall.

>> Councilmember Liccardo: Basically not our decision. Thank you. Thank you ripped looking into the issue relating to North San Pedro financing. I think we'll all be happy to see a construction crane over the downtown again and appreciate you looking into whether or not --

>> Absolutely, it does look very good right now, thank you.

>> Councilmember Liccardo: That's great.

>> Mayor Reed: I have one request to speak on this item. David Wall.

>> I'm concerned about the \$660,000 down grades and whether or not we're going to see more of those little surprises. 666, the devil's number taken to 100,000 times and the time period when you have no money. And then you want to keep the north San Pedro project alive. That thing should just be sold off as far as your debt obligation and get rid of it. I'm also very concerned in the twilight of our Redevelopment Agency life that the successor agency structures is flawed in my opinion. Mr. Keet should be running the entire show. The housing aspect of it should be nested, should be one organization to streamline management cost. Any moneys coming out from the housing portfolio that could be used for administrative cost could serve to defer the General Fund cost. I am also of memory of how the incubator program cast aspersion upon Mr. Keet and the Redevelopment Agency by a councilmember acting in a rogue fashion, surreptitiously using Mercury News, for political purposes, to cast Redevelopment Agency in a bad light. I remember those days that I'm not thankful for them for Mr. Keet deserves a public apology from this rogue councilmember who did this and the councilmember too should apologize to his brother and sister councilmembers for trying to pull this juvenile stunt. It's a shame but a lot of bad things are going to happen now because people didn't pay attention and took advantage of their situation. Lastly, I don't see the Redevelopment Agency successor organization having to be under the auspices of the office of City Manager, for the offices of City Manager has caused way too many egregious and incompetent financial decisions to allow any such a decision to be made with the Redevelopment Agency. Thank you.

>> Mayor Reed: That concludes the public testimony on item 9.1. Any additional council questions? I need a motion. Motion is to approve the recommendations, with the modifications as noted in the staff presentation. A correction in the couple of numbers included on that motion. All in favor, opposed? None opposed, that's approved. Item 9.2 is amendments to the agency's FY 11-12 budget. Mr. Keet.

>> Thank you. Before I get -- I have a little prepared speech that I'd like to give on the sunset of the Redevelopment Agency before I go into the budget memo. But I also want to thank and as I did last week, this

mayor, this council, and previous mayors and councils for their support. And all of the hard work that this transition team has done and what a shame, how many staff hours have been wasted by department heads, City Manager's office and the City Manager itself, instead of doing city business, we're spending time on this dissolution. Now if you will indulge me for just a minute on my prepared final speech here. The Redevelopment Agency was an organization that as the mayor indicated last week, always tried to get to yes on projects, programs, and policy recommendations. Of course, the agency had substantial funds to buy lands and construct projects in the public realm. Such as the arena, museums, community construction projects highways and streetscapes. The agency funded hundreds of legitimate city positions over the years to work on these public works projects. And speaking of jobs the biggest loss of agency funds that state politicians seem to overlook is the thousands and thousands of California local jobs and economic spinoffs and tax revenues redevelopment projects created. The agency incentivized private sector industrial and commercial redevelopment for big businesses and small alike through loans, grants, land assemblage and facade improvements. To engage businesses the agency established staffed and funded business associations in the neighborhood business districts, and downtown. To engage citizens in economically impacted neighborhoods, the SNI program was developed. This program funded over 100 improvement projects throughout the City's neighborhoods. The agency also funded housing rehab and paint programs and market rate housing construction. The Redevelopment Agency was more than a funding source. In one small nimble organization it had engineers, planners, architects, public administrators, project managers, landscape architects, economists, finance experts, construction managers and lawyers, all who had a passion for their work and a mandate to improve the city. But most of all, it had visionary leadership, and a creative workforce. So as all of us in this building go about our day-to-day activities, in these difficult economic times, remember, you can change the world if you can imagine something better. .redevelopment Agency staff always imagined something better for the City of San José. Thank you. Now I'll get to our board item. On June 17th, the 2011 agency board approved and adopted the fiscal year 2011 operating and capital budget. On October 4th, the board approved an adopted amendments to the budget and revenue and appropriation resolution. Before you is the last ever amended Redevelopment Agency budget, revenue and appropriation resolutions. The Redevelopment Agency will formally close the books end of day today and in February, will transition the agency's financial balances to the newly created redevelopment obligation retirement fund. These adjustments will not be included in the City's 2011 mid year budget review because some

time is needed to close and reconcile the agency's financial accounts. And that document is being printed as we speak. The amended budget indicates that the agency paid for the full-year debt service for the convention center and half of the debt service payment for the 4th Street garage. The convention center payment was \$15.4 million, and the half of the garage was \$1.7 million. Relieving the General Fund of the obligation originally envisioned in both the agency and city budgets. Staff, financial staff is available for any questions you have. And most of the existing agency staff is in the audience.

>> Mayor Reed: Comments or questions, I had a lot to say last week. I'm not going to repeat it this week. This is obviously a difficult and bad day for the state of California, and the City of San José. But state legislature and the governor and the Supreme Court have spoken, and we have to do what's required. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I'll keep it short. My hat's off to all the employees, former and current, for the work they did. And as I mentioned last week I had the honor of serving with a good number of them. And I think Richard spoke to it well. And captured it perfectly so I really don't need to say anything other than that. I do want to thank those employees who did stay to as I call it the bitter end and for your dedication to public service, I am in awe of what you did. Knowing exactly what the outcome was going to be, so thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: It's a somber day and I just want to thank the staff that's here, Richard Keet, thank you for all the work you've done, the past staff and the great achievements that the Redevelopment Agency in San José achieved. The thousands of jobs created, the thousands of housing units created, you have everything to be proud of in terms of the work that's been done. This is something that happened that's bigger than us. State making this decision. I think this day, we will mark this day as -- is not the best day in the history of our state in terms of decisions they make. I know that when I was at the league of cities meeting a couple of weeks ago, there was a report being put together on the amount of lost revenue because of this change. And I don't know if that's come out yet. I don't know, Richard, if you -- did you hear about that report? Kind of looking at what the impact of closing these agencies is. And I think -- I don't know if it's out yet or not but I think that it's going to show that this

has not had a good impact on economic development in our state. I look forward to the next chapter. We live on, we fight on, we will build economic development in this community with our staff. But we certainly can commend and be very proud of what we accomplished with redevelopment.

>> Mayor Reed: I think that concludes council comments. I had a card from Jim Piazza but I think he's gone. So I have no other requests to speak. Is there a motion? Motion is to approve the staff recommendations. All in favor? Opposed? None opposed, those are approved. Completing our business today. Open forum is the last item. Mr. Wall.

>> Very nice thing from you Mr. Mayor how you wanted to help out director Horwedel hire people. And I'm glad I was sitting down when I heard it. Because not too long ago you and a few other councilmembers voted to waive \$440,000 of free money, that could be used to hire those people. Gone. But even more importantly, is the lack of this council's resolve to have a public investigation using the very city charter that we all live around to investigate the Applegate Johnson settlement, the scandal at fire station number 19 with reference to the shoddy construction. People all should know that the fire department had nothing to do with this scandal. And people, Mr. Mayor, should be able to have their City Manager publicly thank the City Attorney for bailing her out with reference to this scandal, with reference to the incompetence in association with the prerequisites, to become a participant for the new market tax credit lending program, a program that Congress has let expire. We will wait until February to see if they renew it. The whole process of even having the same contractor be the contractor in chief to build the boondoggle of the environmental innovation center, after racking up this \$440,000 in liquidated damages is just inconceivable. I still as I'm sitting here today, the City Manager doesn't even say thank you Mr. City Attorney for bailing me out. Simple etiquette that we are all brought up to, to thank the person who has helped you. I personally thank the City Attorney for doing a good job. And now I'm going to have to add that the City Manager apologize.

>> Mayor Reed: Sorry your time is up. Eskay Cully.

>> I am Eskay cully from India. I see you working, I congratulate all of you, I come 40 years back to meet Mr. Chuck Reed in front of me and I'm very happy and I have two things to tell about the county, so that your county may progress, more than what is too late. I've been to the Singapore Malaysia Bangkok, I've seen so many countries. I have never seen the city of San José, which is very beautiful. Just I have been from New York but there is no comparison with the San José. Because you people are sitting here, to make it beautiful. And I have two suggestions. I have heard that California senate has no money much to do. I was attending the VTA meeting just 15 days back, so they are planning to make party to the train and the buses where you don't have. So how the money will come question they say the federal government will give. So this time I have a solution. If you give your model to the world, to the other countries, and if you charge or if you don't charge, whole world will be beautiful. And second thing, I'm very sorry to tell you, such a nice meeting and no audience much. This I didn't like. So there should be -- not be a communication gap. Everyone should come, the person who reside here, I live in India and I have come from India. And we live in San José and very much interested to attend this meeting. 11:00, I'm waiting for the meeting. And I'm still here. So I congratulate again all of you. And if I will be helpful to you, I have given my phone number, and all that. I can be a consulting for you getting more and more money which you are trying to do in all of this. Because I have a lot of consultation lot of things to tell you.

>> Mayor Reed: Sorry sir but your time is up.

>> Thank you, so nice of you to give me the time.

>> Mayor Reed: That concludes our open forum, that concludes our meeting, we're adjourned.