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>> Councilmember Herrera: Hear comes Ash, we'll get started. So I'm going to call the Community and Economic Development committee meeting for today Monday the 22nd to order. And we have a quorum, in fact we have everyone here so let's go ahead and do an informal roll call here. Councilmember Liccardo, present, I'm here, Councilmember Kalra and Councilmember Pierluigi Oliverio.

>> Councilmember Oliverio: Yes.

>> Councilmember Herrera: All right, so first up is review of the work plan and do we have any comments from the public on that? To. So is there a motion to support -- is there a motion to approve the work plan?

>> Councilmember Oliverio: I could make that motion.

>> Second.

>> Councilmember Herrera: All in favor, okay that passes. Moving on to consent. We have a request for deferral of the Silicon Valley's city's report. Requested to defer to September 26th. Any comments on that from the public?

>> Kim Walesh: I just have a comment, just want everybody to know. The reason we're deferring, is that Lee Wilcox who was going to make that report is now a new father. Baby Abigail was born on Friday. So we're going to defer that report for one month.

>> Councilmember Herrera: Congratulations. A very good reason for deferral. So hearing no comments, do I hear a motion supporting that deferral? All in favor, opposed, motion passes. First is our report from Kim Walesh. Verbal report on economic development activities. We hear from Kim.

>> Kim Walesh: Good afternoon, Madam Chair and councilmembers. I'm pleased to present the verbal report all the good things going on with economic development June, July and August of this year. You may have taken

some time off but we have all moved forward on a lot of fronts. This is not just a report of the Office of Economic Development is doing, which is how it started. It's really a report about economic development related activities citywide. Because as you know we really work as a team, a cross-departmental team including our departmental services group. This is not just a comprehensive report but a snapshot of all the things we're working together. I want to start by sharing, we get a lot of fun facts coming across our desk and want to make sure you all have what is a great one, coming out of a couple of weeks ago, national science foundation, number one geekiest city in the nation, which we are very proud of. Here in San José, 18% of our workforce is in science technology engineering or math. So take that! That's a great fun fact for us all to use. Business attraction, I know you know tomorrow -- these are the six areas I'm going to do some highlights of. I think the most foundational work that we do is really business outreach for retention and recruitment purposes. Tomorrow, is the very special day at city council for many reasons. One of them is that Netflix participation agreement will be coming to council. Andy Rendich who is the head of Netflix's new DVD division will be in the council chambers as will John Boris who is their lead real estate person. So I'm hoping they'll be there prior to the start of the council meeting and you can meet them and greet them. Again this was a big effort with economic development, Planning, Building, and Code Enforcement, I.T. and a lot of us and I want you to know this project was permanent in an hour and Netflix was thrilled. They will be moving in in November. Our project team did the job in an hour. So we delivered on working at the speed of business.

>> Councilmember Herrera: Can we promise this to others?

>> Kim Walesh: We may not promise. Joe looked them in the eye and promised and we delivered. University of San Francisco is moving downtown to park center plaza. Mostly graduate programs and again using our STI program, USF was rapidly permitted in less than a day. So they're happy. Of course you know also about Netflix, nextspace, the good news about nextspace, all 12 of the office hoteling spaces are full. Same thing in this case we expedited the whole process for them was less than 30 days from them first approaching us about this. One interesting point is that plantronics which is in the Santa Cruz area has opened a satellite office at netscape -- nextspace sorry in Downtown San José. So some of the workers that live in our area doesn't have to commute over the hill. On business development, really interesting company I think we should take a field trip to called

Zazzle, which has a thousand people, and they basically print anything on anything. They have a huge operation there. They print art on skateboards, for example. They are gearing up for a strong holiday season and needed to install new equipment to expand their operations. They have a thousand employees here. If anybody ran the bay to breakers you saw they were the sponsor of the bay to breakers this year. So again our staff were praised for minimizing the need to keep their operations down while this new equipment was installed on permit very rapidly. We also worked with supermicro with their expansion, supermicro now has over 1200 employees occupying eight buildings and nearly a million square feet. So with the expansion again they praised our city development permitting team, the whole process took less than three months, cut off five months from what they thought it would be, they're going to be able to add another 250 employees and 60,000 square feet. So I think you can see we have -- there is a lot of activity happening here. And I think I will go on to the next slide. Oh, with Hitachi, I just want to communicate two things on Hitachi. As you know the division located in Evergreen was acquired by Western Digital. They have communicated to us at this point it looks like we are not going to lose the 1500 jobs on that site which are good R&D production jobs. On a side note the Hitachi development happening around the remaining site there will soon be an announcement of retail development there, a developer of that for 400,000 square feet of retail and then two housing developers, one doing lower density and two doing higher density. So that project continues to move forward. Okay, next slide please. So supporting retail and small business growth you're going to hear about the shop San José initiative. As part of our agenda. So we're all very excited about this and mark October 12th for the kickoff. But I'll let Jeff Ruster talk more about that on the agenda. With job growth, just want to point out, for the first two quarters of this year, 408 new clean tech jobs in the 408 area code in San José, so 408, for 408, that's good Stephen. So we have two new companies, Switch, which is an LED lighting company, Solfocus, solar energy concentrator. And three expansions: Cyberswitching, Solo Power able to add another 100 jobs and Nanosolar, which of course our thin-film solar company, now able to add 200 more jobs with their 200,000 square foot expansion. So that's a significant amount of activity, in the clean tech area. Work2Future I think you know we have an award winning workforce development program and they received an international one-stop award for their work providing outstanding customer service and universal access. I think you'll know we generated about 30,000 new jobs in the last year in our area but our unemployment rate is still over 10%. So this is a main service in Silicon Valley that is helping our unemployed people transition into new careers. New air service I know you know we're working on these fronts very aggressively. I know two of

you are on the airport air service task force. So we continue to hope for some very positive announcements in the next six months about domestic and international service. And I think it's very interesting being we're now engaging not just the leadership group which is being absolutely essential but now the chambers of commerce from Palo Alto, Mountain View and Santa Clara are joining our effort which really makes a difference. We are able to get online surveys in order to articulate and confirm demand very quickly. And with all these partners we're getting good results. With the downtown core I think you know the management of the downtown is critically important, and Lee Wilcox will talk more about that next month. I wanted you to know we had some issues with price Waterhouse Coopers, PWC, Boston properties, and the parking lot being subject to some car break-ins and our police department and Lee Wilcox worked with PWC and they did some surveillance and they got the guys. Two arrests were made and the problem seems to be solved. It's really important, when companies are having problems they let us know we get on it we can solve the problem. And let's see, the convention center expansion, the MLK library demolition will begin next month. So we can look forward to that next step. We thought we would add a few insights about real estate market. So in the written report you'll see notable new leases and renewals. But I want to point out, this is for first and second quarter of this year, nearly 100,000 square foot private leases, new leases and renewals which is very good. Positive year over year absorption for office R&D and industrial. Now, rates fell 3% year over year which is obviously indication of some adjustment but also what a bargain rates are in San José. So that actually plays both ways. We are finding companies interested in us because of the good value they get for the location and real tightness in Edenvale, the vacancy rate there has fallen from 8.2% to 6.6% just in the first six months alone. And of course, cultural and sporting amenities, we keep hearing from companies. This is one of the reasons you locate in the big city is to be close to these things. I want to point out just three kudos for our art programs. San José's public art program was named the first ever program of the year by Americans for the arts this summer which is huge, yay! And then, that was followed up by the largest ever national endowment for the arts grant. Given to San José \$250,000 our town grant which is really for the public art program and ZeroOne to partner with companies to bring interactive art outdoors throughout downtown. So that is very prestigious. The E cloud project at that time airport won silver for design excellence award. One of the preeminent design competitions in the nation. I just want to point out we have real excellence in our midst. And we also have a terrific events team. We're working with Cirque du Soleil. Cirque du Soleil will start on March 2nd. The rock 'n' roll half marathon, October 2nd. With the fire department we're creating the patriot day

memorial and March. As you know this is the 10th anniversary of 9/11. There will be a march for 9/11 from St. Joseph's cathedral to fire station number 1. With that we have a special introduction to make today. I think you know we did a recruitment for a new building official and are just really pleased to welcome Chu Chang. I think Joe wants to introduce him. We wanted Chu to just introduce himself and say a few words and provide some opportunity for you to interact with him.

>> Joe Horwedel: Thank you, Kim. As you heard, there's been a lot of good work getting customers into buildings and that really happens with the people that work in the building division, fire department, Public Works and planning and a lot of that falls to the building official's domain and when Ed Tolentino left, I was very disappointed, looking for him to be here a couple more years. But we went out looking for a building official and really we're looking for two things, somebody who had ability to talk with customers and staff and help connect the dots about what we do because that's how we're successful. But also somebody with a really strong backbone. Because a building official is responsible for the life and safety of our residents and our visitors, and was very happy as we went through the interview process met Chu and got to know him and along a series of conversations around that recruitment process, was very happy when he received our offer to come to work from Redwood City to come work for the City of San José. I think what really was kind of an added benefit is, we certainly have a number of people in the organization, that I think could have done a very good job as building official and for personal choices at this moment you know they did not really pursue the job. But of having somebody from the outside that's worked in a very active building department and actually, having responsibility to someone we have in the department and how to move at the speed of business was something that was really important to us and that's what Chu symbolizes or how he does his job. So thank you very much, Chu and introduce yourself to the committee.

>> Thank you Joe. Madam Chair, councilmembers, it is a pleasure and an honor to come to San José. My background in Redwood City, my own personal background is the engineering side. Through the year I worked for Redwood City about 19 years, changing from different job title wearing different hats, so that gave me a very different aspect about how the building itself work. I work for Redwood City for economic development side, the city as community development engineering transportation housing planning, just give me a really a different

aspect for total package how to support a city. On economic development side and at the same time, building rules regulations and building code. I just want to stop here and really happy to be here. If there's any question I'd be glad to answer. Thank you.

>> Councilmember Herrera: Well I just want to welcome you Chu to the city. We're very excited to have you and it's good to see you too Joe. And I'm hoping that we're going to have the opportunity at this committee to have a little more interaction, so the committee can begin to understand some of the projects and have maybe some of those folks even come to our committee too so we can see real live customers and businesses and get to understand what they're -- how they are working in San José and so we very much appreciate you guys being here.

>> Thank you.

>> Councilmember Herrera: And we have questions or comments from the committee on the verbal report? Great report, very exciting stuff with Netflix and the companies. Did you have something?

>> Councilmember Oliverio: On the USF lease where is that in the downtown?

>> Kim Walesh: Park center plaza.

>> Councilmember Oliverio: And how many square feet was that again?

>> Kim Walesh: I don't know how many square feet.

>> I believe 14,000.

>> Kim Walesh: Nancy may know.

>> Madam Chair, it's about 50,000 square feet.

>> Kim Walesh: 50,000.

>> Councilmember Oliverio: Okay, thanks.

>> Kim Walesh: It's a total relocation of their location from Cupertino.

>> Councilmember Herrera: Any other questions? If not we will move on to business outreach work plan. And I think we have someone new, Chris Burton.

>> Kim Walesh: If I could just introduce Chris. We've gone through a process of identifying our strategic priorities. We have a very small team, we need to make sure they're very focused. Business outreach is I think the most foundational economic development so we've put a very special, competent person in charge of this, Mr. Chris Burton who has just really demonstrated an understanding of how to be smart and focused and really be a leader of colleagues in terms of going out, meeting with companies, but doing that in a very focused, thoughtful way. So we've asked Chris to present the business outreach work plan.

>> Councilmember Herrera: And I didn't -- I left out the part that this is joint economic development and Redevelopment Agency. So I think this is great, this is a great step forward hearing from both and how it's all going to work together.

>> Thank you, Madam Chair. Richard Keith is here with the redevelopment to help support. My other colleagues are talking to another company that's interested to moving to San José right now that's why they couldn't be here.

>> Councilmember Herrera: Very good.

>> Thank you for having me. You've heard from Kim about some of the successes, the monthly report for September. I'm here today to talk a little bit more about the how and the why behind our business outreach strategy and also to talk about the coordination going forward as the world shifts beneath us especially as it relates to resources, how we will work together going forward, not just with the redevelopment agency but also with other partner departments throughout the city to provide the types of services that will help companies stay here and grow here. We've been working on what we've been calling our business outreach work plan for a number of months. It's evolved over time through work with some of the companies that you've seen come through the monthly report. It's now at a point where we feel very good about it. We've had some very good feedback from some of the companies that we've worked with the and we'll talk about that a little bit more as we get through. Business outreach is obviously at the heart of our economic development strategy. Goal number one on encouraging companies in growth sectors. And both the OED and the agency have been working in this space for a long time. I think what's interesting is often in the past we've been in a role where we've responded to requests from companies, from developers, from brokers, and now as we see our resources shift, what we're tending to do is to take a slightly more strategic and a more focused approach to that. And be more proactive in our efforts. And then the other major change is that in the past we would go out with various programs whether it was senior staff going out to meet companies or individual staff, we want to be much more coordinated in this approach. But also in the past where we would go out on our time line which was once every year or once every two years to a specific company, is really recognizing the value and continuous engagement with companies. So the challenge. The challenge is the city issues somewhere in the region of 60,000 business licenses a year. As far as those staff that have business outreach as a part of their day-to-day work plan there are nine of us, so we're stretched thin. And this really drives the need to be more strategic in what we do. The interesting part of San José and the unique nature of the local economy in Silicon Valley is the interconnected network of businesses. As we become more focused and look at this it's understanding not just who's working in certain sectors, but who's work across sectors. How do we maximize our structure breach new channels and really impact their business in a way that will help them stay here and grow here and specifically add revenues and jobs. In doing that, our thinking has definitely been influenced by the 2010 small business study that came through Work2Future. The most telling fact in that was that between 1993 and 2007, 95% of all new jobs in Santa Clara County came from either new company formation or existing company expansion. And so what that's telling us is that really we should be

focusing on the companies that are emerging here and are growing here and only 5% of those jobs are coming from new company attraction. Which is sometimes where we like to focus, is pulling in the new jobs from other communities, but really the bang for our buck is working with those companies that are here. And the other piece we see is those companies that grow here. San José has a long history of growing companies when we look at the eBays and the Ciscos, they have all started in that smaller space and successfully grown over time. So in maximizing our exposure it's looking for those companies in the 20 to 30 people up to 150 people that have moved into a more commercialized business environment. They will add jobs quickly. And what's more interesting is that cumulatively, they will add jobs at a faster rate than many of our larger employers. So that's really how we're addressing a large part of our focus. As I've said over the last few months we've worked very closely between OED and the agency in really defining our mission is a shift from just going out and telling people about business services and obviously connecting them with the great services that are already in place with the city is actually going out, learning more about our businesses and finding a better fit with those services as we go along. And then also expanding our value proposition to areas where an emerging company and a growing company can really benefit from interaction with the city. Our three key sort of goals in this approach is we're going to focus down obviously that's a huge number when we talk about 60,000 but that involves a number of contractors of small businesses, not the typical high growth areas. So we're going to focus in on 250 or thereabouts companies that are in that model of high growth emerging markets. We want to use consistent messaging, so it's a big thing we go out, we talk about OED, we talk about the redevelopment agency, we talk about all these different entities but to everybody in the private sector they just see the city. So making sure we have a single unified brand that people can understand, access and utilize in a clear and consistent information. And behind the curtain is building the infrastructure of the team, across departments so we can hand off successfully, that we can leverage the power of the network that we build between us as well. So as we talk about these 250 companies it's really looking at a more referral and relationship based approach. As I said, earlier, we're going to move away from that once a year, once every two year model and try and engage a smaller set of companies on a regular basis, build that relationship, so that as we talk through there, business model and what's going on with them, understand at that time various value propositions that the city has plug them in rather than simply handing out the menu and saying what's applicable to you. Because the way we talk about things isn't necessarily the same way they'll talk about things. And so as they talk about managed inventory and you know

import export, we know then that we need to look connect with the foreign trade zone and look at the specifics of their projects and apply the business service there, rather than simply talking about enterprise zone, foreign trade zone, expedited permitting. It's really just looking on an individual basis, making a good fit but then also ensuring that we're following up on performance and we're documenting that value that we're coming back to the committee, we're going back to the companies and helping them understand the value, because that will feed a referral system. And the best advocates for the work that we do are the companies we work with.

>> Councilmember Herrera: Absolutely.

>> So when we talk about value proposition, obviously the business support program piece is definitely a big part of that. But what we've come to learn over the last couple of years is -- and especially as the economy has been more challenging for smaller companies is there are other areas in which we can pock. As we get out there and talk to some of the most interesting and innovative companies, in Silicon Valley, it gives us a very unique opportunity to do network development. So make the introductions to companies for suppliers, for channel partners. To make sure that their business is staying local and they're building on the infrastructure that's already in place. We have a number ever strategic assets in San José whether we're talking about the machine shops that can do high quality low volume quick turn around prototyping for the contract manufacturers that can scale new product introduction very quickly. So making those connections is obviously invaluable. Secondly, what's been very interesting is that we have a great and very unique position to do co-branding some of our companies. So when the city has a very successful innovation brand platform, is we can leverage that through a number of ways, whether it's attending events, whether it's getting quotes in press releases, whether it's just amplifying their voice through our channels, smaller companies that are growing quickly can leverage that exposure in unique and new ways. So it's worth exploring that more and more. Workforce development refers to the great work that Work2Future does. When you talk to a company that's gone from three employees and added 25 engineers they don't have an HR department. It's the CEO late at night on line looking for new employees. What Work2Future offers our businesses is it's great HR support. It provides some free business services that will help them prescreen employees, that have a phenomenal database of prospective employees that they can plug easily and seamlessly into their organization, that links with training dollars, the enterprise

zone, you're prequalified if you are a Work2Future candidate, and so really developing that and helping companies understand that resource, so many people just don't even know it's there. On the regional collaboration piece, this is something that has really evolved out of our work in clean technology. When we looked at the state I help program, the designation that we received there on regional collaboration, and although unsuccessful, the Department of Energy regional innovation cluster initiative has created these very unique partnerships across the nation with San José as a prohibit for that. So when we look at our relationship that's evolved with national labs especially to Berkeley and if funding streams for clean technology companies is looking for new ways to explore that and especially when we look at our work on the state and federal level and the way we can provide support letters or commentary or advice on funding opportunities to pursue those channels as well. And lastly as I mentioned before our business support programs and getting more intelligent about that, more intelligent about businesses and how they fit into those programs is an important part of our work. So on to the infrastructure piece, how is it that we're working together? As a single team. There's a number of ways, and primarily, it's all about coordinating resources, between the agency and OED we've implemented a new customer relationship management system. The CRM is working really well and especially when we talk about network development is that now right across the system everybody can see who's working with what companies, what interactions have occurred, how do we leverage that more successfully and then we feed more information back and forth. So if it's as simple as something like a press release in the business journal, we can plug that into the system so the next time somebody talks to them we automatically know all the information what's there and who are the contacts that we're talking to. Beyond that, there is also, you know, a the real estate services that we subscribe to and other information services for making sure that the full team is aware of that. The other thing to mention on the CRM is we have also connected in with Lee Butler, the development services project manager, so that we have that seamless transition of service as we go from a business interaction with either OED or the agency into development services as you can see the ongoing interactions there and understand the history behind it. And we're finding that's really important again in that continuity of service. So then the other sort of unifying piece as I mentioned before is a single brand, and so we're going to leverage the two San José platform to do as a single point of contact so that all businesses regardless of who they're talking for have the same information have the same appointment of access. As a part of that we're going to be producing a series of marketing materials that will support all the work we do. The intent is that we have a number of differently leave-

behinds that we have used over time. We want a single package that's accessible to everybody in the city including yourselves. When you're talking to business if they have a question on what's available you can hand them a full package but that also breaks apart so that if it's just the enterprise zone you have a single page that is consistently branded that has the same information that you can simply hand out in those interactions as well. And we think this is going to be a really important part of not only our work but also developing that message throughout the whole organization. And so when we talk about economic development, there's obviously always a focus on just the agency or just OED, but it really is everybody's business. And our intent over the next six months is to get out to the rest of the departments and explain the importance of the interactions that they're having, and how that connects successfully to our work, but then also, how that feeds the city as far as revenues, and job creation, and things like that. When we talk about the various departments that do great work in this space, I mean obviously, development services is often the first point of contact for many businesses. Whether it's permitting or inspections, they're the folks that are out there on the front line talking to facilities staff that we can then use as a point of contact. So as we talk about referral, is you know we can make those connections through the STI program or the ITI program and then develop that relationship further, look for opportunities as an inspectors out in the field with a company to say hey, are you aware of these programs? I see this is going on with your company. But make you know economic development a language that everybody in the city understand and that again feeds back to that constant messaging that everybody has. So just want to run through one quick example that's been very successful, and we met Ian Wright, who is the founder of Wright speed. Back at the clean tech event, over at Tesla had invented a prototype for an electric vehicle that is still one of the fastest acceleration vehicles out there and it's a great looking car. But he was developing a business to do digital drive trains, so alternative energy vehicles. So we worked overtime, Ian was really interested in the enterprise zone as a resource as he established his business. We found a location, we obviously worked with the permitting assistance, we connected him with a number of different regional organizations that were involved in clean transportation. As he worked through different programs we made him aware of programs with the CEC, they received \$1.3 million in funding. As that program was funding them they ran into an issue with CEQA. The CEC doesn't have the capability to deal with the CEQA clearance so we managed with planning to work through that process. And provide them with the necessary clearance for them to be able to get that funding. Right the way through to the ribbon cutting back in April that was very successful and it's interesting, Stephen and I stood with

their head of business development at that event. In talking about the product that they had on show we found out that they're importing product from the UK and Germany so we meld leapt on the foreign trade zone and that led to another conversation related to workforce. So it's those relationships over a sustained period of time that really add value to a company and so Wright speed is now in San José and 20,000 feet. As Kim mentioned we have been very busy over the summer. We continue to build these relationships. These are just an example of some of the companies that we are meeting and some of the stories that are coming out of this are just phenomenal about innovative companies that are in San José that are doing amazing things with new technology. So that's pretty much the essence of the work plan. Obviously very happy to answer any questions that you have.

>> Councilmember Herrera: It's some very exciting stuff Chris. How many folks are dedicated to this effort?

>> So as far as wholly dedicated, no one.

>> Councilmember Herrera: How many staff do you have? How many hours, any way you want to compute it.

>> Yeah, and so we actually did the math a little bit and we worked out that if you took the portions of the nine people that do this, and you break down how many hours they have and you know generally a single interaction with one company is about four hours when you factor in the meeting, the research, the coordination, all the pieces there. We could probably do if they were all out do five, 600 companies a year. But on the notion we want to keep touching and doing the repeat business that's where we drove down onto that 250 number.

>> Kim Walesh: I think it's safe to say that no one is dedicated to this but it's very important so at least in OED our core six people are all part of Chris's team, and then depending how you count it Richard, two-plus in the agency as well.

>> One fully dedicated.

>> Councilmember Herrera: So you have one fully dedicated. I would think it would take at least some fully dedicated hours to accomplish this. How do you factor in folks that might be going through a process with us when they're not satisfied? How do we achieve continuous improvement? In the private sector you have these measures in terms of always trying to achieve some sort of six sigma or whatever you want to call it in terms of improvement of quality. How do we do that? How do we have that feedback in our system?

>> And that's a challenge again because of the limited resources and we do encounter that. And sometimes it's just perception, where people haven't experienced -- I don't want to pick on anybody, but a development permit process, for example, and somebody is working in a technology space, so it's helping educate the businesses as well as providing the feedback through the system. So instrumental to that effort is Lee Butler in that development services project manager system. Because while most of his time is spent facilitating projects, he has the focus on folks process improvement and policy improvement and so I personally work very closely with Lee as does Nancy and a number of people on our team.

>> Councilmember Herrera: So are we tracking statistics in terms of how many satisfied? How many -- just so we know at least how things work out?

>> Nothing that we specifically address on a -- I mean we don't have a survey sort of leaves behind that would get to those statistics but it's certainly something we could look at to provide meaningful feedback.

>> Kim Walesh: At this point we're trying to catch the positive testimonials about what the business thinks the system is adding value. We're trying to focus on what is our role in a city with the economy as complex and dynamic as Silicon Valley. So we've been really testing this by asking the businesses where we're adding value so we are doing more of that. We could move to a non traditional customer service operation in the future if we had capacity to do that.

>> Councilmember Herrera: I think we need to do both, because I think it's wonderful that we're figuring out where we add value. Because the city is such a large entity, and just the stories you just told about how you

continue to work with them and then it leads to other things and it ends up really being a factor in companies being here but I think also we want to make sure that if somebody's not happy, unfortunately not happy people can spread faster than happy people. When they go out and talk. So I would think you would want to -- we would want to be sure we capture that and then at least we may not be able to fix everything but at least we've noted it and we're working with them and they feel like they can have a way to let us know. And then the other thing I would be concerned about is retention. So if a company is making a decision that they don't want to be here how do we change that outcome or can we have influence on that if a company is trying to decide? Do we -- are we involved in that, too? And I think Nancy stepped up to answer the other question.

>> Just a reminder that Joe's shop which we are working closely on annually does a survey tool. And what happens is that over the last year or so it's been 3% or so that falls off into the red zone of people who are dissatisfied.

>> Councilmember Herrera: Great.

>> We encourage and many of you do, when you hear of something as you often do get it to us. We work with Lee as Chris was mentioning. So there is the traditional model already in place. And then on retention side, again working in partnership with the council. Because a lot of times you will hear it's a question of who can ascertain the information. We're out, asking people to keep us in the loop. We're out talk to brokers, developers. But a lot of it is who gets the information first and hopefully before somebody's made a decision to leave. Chris I don't know if you wanted to --

>> Yes to Nancy's point, we work largely with the broker community and a large part of that is our retention basis. We understand that companies don't necessarily understand where that political line may fall between us and Sunnyvale. They are often looking for the space that fits and the best lease rate and TI packages and situations like that. To the tent we can make them aware of programs we work in we obviously do that. Again over time what we're trying to do is show that additional value that we as a city provide to these companies so that in

the long term as most of these companies will continue to grow as their first thought when it comes to relocation is we need to stay in San José.

>> Councilmember Herrera: I think it's great and I'm going to go to my colleagues for their questions. I just wanted to say how important I think this is, the retention effort, and I look forward to hearing more from this group on the success of your efforts.

>> Councilmember Liccardo: Chris, thank you, that was a really great presentation, thank you. Had a question first about the CRM database. I can appreciate why that is something -- there's information there undoubtedly that's sensitive. Is there any opportunity for there to be limited access citywide, to the extent that we're coming across is folks out in you know at events, you know people are calling us and so forth so we can understand what's been already done with this interaction with this company and who do we need to go to rather than the default is often from going to Nancy's very overburdened shoulders or going to Kim, they are juggling a million balls at once. Would it be possible for us to have some limited access just to understand who's on what?

>> Yes I think we can look around something like that or at least at the very minimum provide you better flows for that information. So we can provide you more information more responsive absolutely.

>> Kim Walesh: Councilmembers, you are always free to come to Nancy or me. But to have Chris as the point like the switching station for information and referrals out to staff and back and then communication is part of the point about having a single team.

>> Councilmember Liccardo: Okay, we should go to Chris first.

>> Kim Walesh: You can CC us and keep us in the loop but that's Chris's job manage incoming information, be accountability for the information coming in and account back.

>> Councilmember Liccardo: Good to know who to rely on there. Just a question, I certainly don't know the answer to this but I'm asking just because it -- I was pondering as you were talking about sort of the target. Obviously you need to be strategic. You can't do everything. You've got a very small team and you're trying to do a lot. The focus is on sort of the smaller companies, 20 to 150 employees it sounds like, it sounds like based on our experience in that survey I guess roughly from '93 to 2007, seeing where the growth in jobs are, it's a very reasonable thing to rely on, certainly, and understanding really where we get the most value out of our efforts. I'm wondering now about a post-2007 world, where first traditional financing is dried up, cash is king for many companies, banks are increasingly relying on higher LTDs and more conservative lending practices. And so much more challenging for smart companies to get access to traditional financing and then, in the less traditional mode, they're not going to IPO, their vehicle for sort of the goal or their means to scale is really through acquisition and not through IPO increasingly. So that's leading me to the question is as you consider those two sort of assumptions that those are trends and I don't know for certain that they are but I think they are, post-the great recession, does that mean our focus should actually be larger? That is, that we should be going for larger companies, knowing that maybe the growth may have been there in the smaller companies before but in the future, might it be different?

>> Yeah, and I think that's a really interesting point and sort of as we delve more into better understanding across the economy that's something we're very conscious of. I think what we found is that -- and the one thing I want to sort of -- the one point I want to clarify in that is the 250 number the companies that we are proactively going out to respond to and requirements from, Cisco and eBay and the larger companies as well, we have that constant engagement also. But as we talk to some of the corporate development folks on a larger scale as they are infinitely more informed than we are, and while we have those connections and do try to build those bridges where applicable, it's really in leveraging our network at the smaller scale that will gain more growth and they will automatically plug into more channels throughout the economy.

>> Councilmember Liccardo: In other words, we really bring more value to the smaller companies anyway so why not focus our energy where we can make the difference did?

>> We definitely add a lot of value there. We do have those connects with the larger companies and we do have the contacts and ongoing relationships but for example, Cisco has a phenomenal corporate development program within itself that you know it is very limited to the value we could add there, much more connected there by the channels. But we become one of those channels through our interactions and sort of understanding all the intricate networks within that.

>> Councilmember Liccardo: Thank you Chris.

>> Councilmember Herrera: Councilmember Kalra.

>> Councilmember Kalra: Thank you. I'm glad we're I think heading in a direction where we all know we needed to get and to have kind of more of a one stop shop I think in being able to address concerns for existing companies. I agree that although it's more dramatic and will lead to sometimes a bigger slash going after companies to bring them in, the reality is that I think the greatest value we have is in retention and growth of companies that are already here in our city. And I've certainly seen that, I think all of us probably have in our interactions with companies, seeing them here, being able to maintained over the last couple of years and we're starting to see some of the emerging technology companies starting to hire again, which is great. And so it's always been a challenge, especially if we -- you know at events sometimes we only have 30 seconds or a minute to talk to someone to be able to direct them to one place, to be able to direct them somewhere so that you know it's not -- we just don't let it fall away. We at least get that opportunity to say hey, you know, let's go right here or call Chris Burton, whatever it takes to really get us to very quickly be able to kind of get our paws on some of these companies that might be interested in coming to San José really and doing what we can to encourage that in a quick way. So I think that is definitely coming together in that manner. I'm definitely appreciative of that as well as some of the business to business interactions within the city. For example, you mentioned contract manufacturing. A lot of companies here that are doing R&D, don't even realize there are contract manufacturers here in their own backyard. Running 24-7, expanding, but some companies feel they have to do their contract manufacturing overseas, or places they perceive are less expensive. The way these manufacturers are set up they can do it at a very competitive prices and then they stay close to their intellectual property too as they do the

pilot manufacturing and expanding it too. So I think those are all steps in the right direction and I think it's just going to be really important, and I agrees with some of the comments Sam made in terms of how do we focus on what kind of companies, that's going to be very challenging to do and I think that sometimes we talk about oh, if you want to find the next eBay, the next google, it's very likely we already have the company here and just trying to identify which one it is. And it may very well be in this news environment, that it's going to be a little bit larger than we may have expected a few years ago have them start up with two or three people in a garage, it is a different environment where you're not seeing as much capital flow into some of these newer emerging companies, there's much more risk aversion. So that's also something that I agree on, that we have to help the year, as we're out there visiting companies and events. And certainly in terms of retention, if we do the work here, I know there's been a lot of issues resolved very quickly. Because one of us is in contact with the company and you hear of something. We just heard an example of some of the break ins from PWC that was resolved. But those kind of nagging problems, sometimes as clear as it might seem for us that they will pick up the phone and call one of us or call the city, they don't always do that. So that's what I think we need to do in addition, I do like the idea of narrowing the companies we talk to and have more ever a strategic, outgoing relationship. I think that we still have to continue to outreach to all of them even if it's a matter of you know phone calls, e-mail correspondence, just to check in. Because as some of the company business I've done, even some of the most basic things that are easy, we solved them within an hour of city time. We can solve some of these problems that they've been bothered with for weeks, and we wouldn't have known that unless we went out there. And so I -- still even if we don't the have the people power to do it in the way that we've done it before, I think we still need to continue to have contact, continual contact with all the companies, and then as you mentioned, Chris, narrow down the ones we really want to have the more aggressive contact with and especially those we can hopefully presume or expect have the best growth opportunities. Thank you for the presentation.

>> Councilmember Herrera: Okay. I had one other question. What are we doing to leverage the success stories? Are we able to put those out on our platform somewhere?

>> Yes, absolutely. The specific space into San José, to put up those testimonials that would speak to other companies, then we're also as we work with these companies on a more intimate basis as we want to start

documenting those success stories and make them more available through the true San José platform and also through other available avenues that the city has.

>> Councilmember Herrera: Like you said, there is nothing like a happy customer, or happy -- reference-selling is the best way. And I think the point has been made about leveraging the council offices, so I think you have folks here who are out talking to people and we're very interested in supporting businesses staying here and growing here. I think all the council offices are ready and willing and would like to have that interface to figure out how we can channel those opportunities and support what you are doing. Before we accept the report we have a -- somebody from the public, David Wall. You wanted to comment on this item.

>> David Wall: (inaudible) this one? That one right there. We look at the first slide, and San José, there's a problem. The problem is there should be an accent on San José. Not just on the word San José where it's supposed to be. But the accent of all business should be on San José. Silicon Valley is getting a free ride with this business. The economy of San José should be forefront, not linked with Silicon Valley. And the accent should be on San José. Now, this program has the tendencies of being illusory, because there's no cost to this program. It's another one under development. Very good questions, chairperson Herrera about successes and failures, how you track them. This gets back into the issue that learned council, Councilmember Liccardo raised last week at Rules about the incubator program. You have to be able to see these costs and benefit, before you go down this path. There's a lot of reliance and skepticism about this program as well. One item that is interesting is one of the key partners is the ESD, environmental services department inspection staff in this regard. These people have restrictions placed on what they can actually do as a function of their funding. And utilizing water pollution control people or ESD people for another economic development plan, has problems. there's also no legal cost recovery for our learned office of the City Attorney. So there's a lot of problems with this new program. It's just not being brought forward. And I think that it's basically rearranging the deck chairs on the titanic. Thank you.

>> Councilmember Herrera: We have a comment from Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, Chair Herrera. Thanks for the presentation. I'm curious on the ability for an actual council person to ride along with the people that are in the field, whether it's the relationship or the recruitment side of the fence. Now, I can be coached very well not to speak, or if I can add value or any other councilperson would adds value. I hear it, see it but it's a hands-on to see the process going on.

>> Yeah and we would definitely love to have you board, any of the committee members or council, and to the extent that we can direct that attention to specific businesses you've met or worked with, you know it goes both ways. So feel free to invite us along, as you're going out and meeting folks as well.

>> Councilmember Oliverio: So in your example, you just stated I made a contact at CFO at a company whatever, let's go out and visit them?

>> Absolutely.

>> Councilmember Oliverio: Okay, great, thanks.

>> Councilmember Herrera: I found economic development department has been very great with me. I've taken them out on some new companies we have had a great meeting, looking at new companies and new programs, and Nancy Kline has been out with me as well. Do I hear a motion to accept the report?

>> Councilmember Oliverio: Motion to accept the report.

>> Second.

>> Councilmember Herrera: All in favor, opposed, fine. Now we're on foreign trade zone side application, I think Jo Hedges is going to talk to us.

>> Kim Walesh: So Joe is on Chris's business outreach team but he's also an expert on the foreign trade zone and manages the foreign trade zone program as well as is our point person on recruiting air service. So many hats. And before Joe starts I want to recognize Ed Moran, because he has been absolutely essential to the workings of the foreign trade zone program over many years so thank you, Ed, for your involvement.

>> Thank you, Kim, Madam Chair, members of the committee, I'm here today to talk to you about the foreign trade zone program. And the opportunity for the city to seek an alternative site framework designation for the foreign trade zone. This would bring extensive benefits to a large number of companies in San José. First I'd like to talk to you about the foreign trade zone. What it is. The City's history with the foreign trade zone program and also the opportunity to pursue the alternative site framework designation. The foreign trade zone is territory in the United States that is considered to be outside of U.S. Customs territory. This allows companies to use special procedures to encourage activity and value-added activities to take place in the United States. Foreign trade zones are approved and activated by U.S. customs and border protection. Foreign trade zone sites remain under the jurisdiction of local, state and federal government agencies and jurisdictions. A foreign trade zone allows companies to delay, reduce or eliminate U.S. customs duties on imported products. So for example, while a product is in the foreign trade zone, no duties are paid. This allows a company to better conserve their cash flow. Once a product exits the foreign trade zone, duties are paid. But if a company imports a component into the foreign trade zone, and that product is then used in assembling or manufacturing a finished product, if a company utilizes the foreign trade zone they're able to pay the lowest possible duty. And in the United States duty rates are usually higher on a component than the finished product. Companies that export from a foreign trade zone avoid paying duties altogether. In addition there are other benefits of utilizing a foreign trade zone. When a company imports a product into the United States they pay a duty. If they use a foreign trade zone if that product is damaged or defective, the company can seek the approval of U.S. customs to destroy that defective product. Thus, avoid paying the duty. Products that are subject to quota cannot enter the United States customs territory. But those products can enter a foreign trade zone. And then, once the quota is lifted, those products can be released into U.S. customs territory. The foreign trade zone is really a jobs program. The foreign trade zone was created by the U.S. Congress in 1934 to help U.S. companies compete in the global marketplace. The foreign trade zone allows companies to be more competitive that operate within the United States and thus avoid

shifting jobs offshore. It encourages manufacturing to take place within the United States. San José applied to the U.S. Department of Commerce in 1974 for the City's foreign trade zone designation. And so the city is the 18th foreign trade zone that was established in the United States. As the role as grantee, the city administers the program. The city administers the program to a much wider region than our city border. Based on the federal regulations, our territory is 90 minutes driving time from our border or 60 miles. So we administer the foreign trade zone program in Santa Clara County, San Benito, Monterey and Santa Cruz Counties, plus the southern part of San Mateo and Alameda Counties. There are two types of foreign trade zones. A general and a subzone. A general purpose zone is a foreign trade zone for multiple users. So any individual or any company that wants to utilize the foreign trade zone can do so at a general purpose zone. The City's general purpose zone is located in the Monterey corridor and is operated by San José distribution services. A general purpose zone is used primarily for warehousing, manipulation of products, or minor assembly operations. A subzone is a foreign trade zone for a single company. A company that's engaged in large scale manufacturing and/or distribution. And a company applies to the city, and the city, in turns, applies to the federal government for a company to receive this specialty designation. Currently we have two operating sub-zones in San Jose under our jurisdiction: Space Systems Loral which designs and manufactures satellites, and also Lam Research Corporation which is involved in equipment for the semiconductor industry. And currently, the city is in the process of applying for a subzone application on behalf of Tesla Motors. The federal government, the United States Department of Commerce recently created an opportunity for existing foreign trade zones, as well as prospective foreign trade zone grantees to seek a different type of designation. An alternative type designation. This designation would allow the city to designate up to 2,000 acres of property that would be then designated as the foreign trade zone. Companies that are located within this area, would then have the ability to apply to the city, and to the federal government, to have their site activated as a foreign trade zone site. The application process would be 30 to 75 days depending on the scope of the application. Currently, a subzone application is eight to nine months. So it would significantly decrease the time involved for a company to receive the designation. Currently, San José has 330,000 square feet designated for our foreign trade zone. So we would be moving from 330,000 square feet to 2,000 acres. The criteria for the ASF designation is we are looking for an area that would benefit the largest number of companies where we have the largest number of employees. Also zoning of the property is important. As agriculture property, commercial land is not eligible to be designated for the foreign trade zone. It is

largely industrial areas. Also, the industries in the proposed area in North San José are companies that are engaged in sectors that are very engaged in manufacturing and also, exporting of products. 36% of the proposed foreign trade zone site is also located within San José's enterprise zone. The enterprise zone provides state tax benefits to companies that are located within that designated area. So the proposed foreign trade zone site would bring not only the federal designation of a foreign trade zone but also allow those companies to engage in the benefit of the enterprise zone. So with that I would be pleased to answer any questions that you might have.

>> Councilmember Herrera: I was -- so with this new 2,000 acre trade zone area, would that limited then new applications from companies that wouldn't be in that area if they wanted to have a sub-trade zone application?

>> No.

>> Councilmember Herrera: If you had a company located somewhere else in some other area in San José they could still go through that process or --

>> It would not preclude any company in San José's jurisdiction to seek a foreign trade zone and there not only includes the City of San José but the other counties that I mentioned that are part of our jurisdiction.

>> Kim Walesh: So we still have the program we had before. This is like strategically, it makes this program benefit our San José geography. Because our San José geography of all these other counties will be the only one that at least has the 2,000 acre area. Where if you are in there we can promote it, and if you're in there, it's slightly faster and quicker. But we can still do the subzone process for any company in San José if they're not in this area.

>> Councilmember Herrera: And would that subzone be the old several month process then if they were not in the new designated area?

>> Yes. But the time to review a subzone is eight to nine months. It's dependent upon the number of applications that the federal government has received. But it also involves a process of notification, of federal register notice. Also, an opportunity for the public to respond to any subzone application, and then, in turn, the applicant is able to provide a rebuttal.

>> Councilmember Herrera: This sounds like a tremendous opportunity for us. This is going to be in North San José, the 2,000 acres, right?

>> That is the proposal.

>> Councilmember Herrera: Sort of the boundaries of it. I think that is incredible, it makes sense to put it in that area where you have all the manufacturing companies and companies that are wanting to do foreign trade. So colleagues have questions on this?

>> Councilmember Kalra: Thank you. I just wanted to thank Joe and Kim for coming and explaining this a little bit to me the program. I know that I agree that North San José is an appropriate location. We talked a little bit about Edenvale, North San José makes more sense. I wholeheartedly agree with it. It does not prevent us from still trying to attract companies and trying to offer this benefit. We're still the only one in Silicon Valley that is a foreign trade zone. I think that's an additional marketing tool that we all should be you know applauding as one more reason to come to San José. And you know if they don't come to San José that doesn't stop us from still trying to see if they can go through the process and doing the application through us. The first target is to get them influence that 2,000 acre zone, we can process immediately, the next goal is to come to San José and we can help process you through San José, if you don't come to San José you know what we can still help you a little bit too. I think this is a great benefit to our city in attracting companies and I think it should be amongst the top things on our list, one of the first things that comes out of our Moustakas when we are trying to talk to companies wanting to come to San José. It is a huge incentive. As you know the components do come from all over the world and it can save them a tremendous amount of money. I think it's a program that hopefully is being utilized as much as possible but I don't think it's very well-known to a lot of the companies. And if they did know about it, I

think it is just one more thing to begin to attract them, just like the enterprise zone, and other programs, even though I think this program itself is probably more valuable than probably any other program, probably on par with the tax credit for manufacturing equipment that the state has. And so I think we really should do everything we can to market it.

>> I would add councilmember that the savings is dependent upon the company and their operations and so forth. But companies can save into the millions of dollars by utilizing the foreign trade zone. And that's going to keep the jobs here in the United States, and in California that otherwise might be shipped to offshore.

>> Councilmember Kalra: And it seems pretty apparent and can very quickly assess which companies can benefit from this, they're either manufacturing or they're not. They're either manufacturing of products that they're exporting or they're not. And so as soon as we identify those companies whether they're in our jurisdiction or not we can say hey you looking to expand you can come right here we instantly can provide you this benefit as part of the foreign trade zone.

>> Councilmember Herrera: Councilmember Liccardo.

>> Councilmember Liccardo: Curious, noticed we've only had two companies create subzones and since the creation of this program here in San José. Why haven't more manufacturing companies taken advantage of this?

>> Well, Councilmember, we have had other companies that have applied for the subzone status. In fact, our first subzone was Olympus America, which is a company located in San José. They were an active subzone for several years. And NUMMI was an active foreign trade zone for San José from 1984 when the plant opened until 1999 when the company deactivated the zone. Because at that time the duty rates fell on automotive products be, and for NUMMI, the U.S. market was their primary market.

>> Councilmember Liccardo: Right.

>> And we've had additional companies apply for the subzone status over the years. I think, including Hewlett Packard and Cirrus logic, but during the past two to three years we've seen a tremendous increase in interest on the part of the foreign trade zone by local companies. Because they're looking at any savings they can derive in the foreign trade zone can be significant savings in the near bottom line.

>> Councilmember Liccardo: So the foreign trade zone's board makes the decision about who gets subzone status and who doesn't, right?

>> No applicant has ever been denied a subzone by the federal government.

>> Councilmember Liccardo: But you said HP and Cirrus have tried.

>> They did not activate.

>> Councilmember Liccardo: Okay. I'm just kind of curious. It seems like a wonderful benefit -- just wondering why --

>> Kim Walesh: You know, I think part of it -- this will be one of the benefits of having a single business outreach team, so everybody knows the whole range of services and incentives that the city offers and can go out there and be conversant in all of those. I think to be honest we probably haven't promoted this and had as many people articulate bit including councilmembers as we need to. So part of what we're doing this is just education, education. Because it is a fabulous advantage that we have, and by the way, it's all cost recovery so whenever one ever these applications go through paying a little bit of Joe's salary, a tiny bit of Ed's salary, recovering our cost, that's a good thing do, right?

>> Councilmember Liccardo: Absolutely. I hope that there's immediate strategy that we can incorporate with this, too. Obviously if we're fortunate enough to get this approved, it seems like a great business attraction tool. I always knew bit but never understood much about it and I suspect others may not, either. I had a question about

the criteria used in terms of drawing the lines and the geography. Intuitively it just seems like this is the kind of program where you really want to focus on industrial land. And I see certainly you've got a sort of arrow shaped arrowhead shaped plot here around North San José where understand we have an enormous amount of critical business activity. But certainly along the North First corridor, you tend not maybe to have the manufacturing as much as maybe R&D or business headquarters. And I'm looking at maybe some of the grayer plots particularly as you went further East to Oakland road. That are outside the zone, and I'm just curious, why you guys selected this particular area as opposed to going a little bit further East.

>> Well, the requirements are that the acres be one contiguous area and we looked at the type of industries that were East of Oakland road and we felt that the companies that are engaged in manufacturing and also export were more in the area that we have outlined.

>> Councilmember Liccardo: Okay. And that's -- okay. Now I know we have very limited capacity to do outreach but have we done any just to see if there are particular companies that are really interested in trying to get within this zone?

>> We have based on our outreach meetings with companies. But we haven't done a special outreach tilt.

>> Councilmember Liccardo: Okay. Again I appreciate you have they limited resources to be able to do that. It certainly seems as good as any other, I'm just concerned about who it might be cutting out and I understand you've got a limited amount of acreage. Okay, well thank you very much.

>> Councilmember Herrera: Great, thanks Joe. Did you have --

>> Councilmember Oliverio: Just to clarify on the status, is it a company that's importing in a subassembly or is it a actual widget, you know, which is the -- trying to figure that out. So let's say a company makes this big box, and inside go little widgets like a semiconductor chip or inside might go a subassembly, or might be some component of it. Is it for any and all or sit just for the item that is more a sub-portion of the product?

>> Councilmember, a company, any company can utilize the foreign trade zone. So if a company -- a company can mix both domestic and foreign merchandise within a foreign trade zone, and a company can benefit by selling only to the domestic marketplace. So if a company is not engaged in exporting, the company can still save money. Because one advantage of the foreign trade zone is it allows the company to perform weekly entries on imported products, whereas outside of a foreign trade zone, company is required to make daily entries. So it allows improvements in efficiencies and cost savings. But any product can enter a foreign trade zone both domestic and foreign.

>> Kim Walesh: Madam Chair if I can just make an offer. What I'd like to do is have us just look one more time at this area East of 880, prior to this moving forward to council. Just to double-check and make sure that we have the most opportunity for the manufacturing companies. Talking about the southern, eastern part, East of 880. I think we can do this just to affirm this is the best possible boundaries, prior to moving forward to council.

>> You can actually move it to council but you can have the information before the council actually approves it so you can make a motion to put it on a cross-reference. By the time it gets to council staff can come up with an additional report that gives another analysis of it.

>> Councilmember Herrera: I'll entertain a motion to approve.

>> Motion to approve.

>> Second.

>> Councilmember Herrera: And does that include cross-referencing to the council?

>> Councilmember Liccardo: It does, with all the conditions described by Kim and Ed.

>> Councilmember Herrera: I'm hoping this will be included in the outreach programs that we will hear about the foreign trade zone and part of the other tool kit that they're working with?

>> Kim Walesh: Absolutely.

>> Councilmember Herrera: And it would be good to give councilmembers -- I think all of us need to have sort of brief information about these things so we can talk them up when we talk to outside potential --

>> Kim Walesh: We'll have a one-page sheet, cheat sheet on the foreign trade zone just like on the other incentives the city has.

>> Councilmember Herrera: Perfect. All those in favor? Opposed, motion carries. Great. Moving on to our next item which is shop San José. And Jeff Ruster is coming up to talk about that.

>> Jeff Ruster: Thank you, madam chairperson. We're here today to talk about a new economic development initiative, the shop San José campaign. And we believe that this campaign really offers unique promise to have notable impact on our local economy, given unique utilization of technology, social media, and strategic partnerships that I'll talk about in just a second. Really, this program seeks to leverage three key characteristics, regarding our community. One is that you've heard before, the City of San José is home to over 50,000 businesses, 45,000 of those businesses are small businesses. They offer a wide variety of goods and services that really do make San José a wonderful place to live, work, play and shop. In addition, San José households consume and purchase over \$8.5 billion annually. When you combine that with the fact that the population growth for the City of San José over the next 30 years will be more than double that of San Francisco and Oakland combined. The absolute size and the relative size of the consumer market here today and in the future is huge. We are also very cognizant of the impact that prolonged economic recession has had on our small business community, on job losses, on unemployment and on resulting consumption by households and businesses. But really, why we have hope in this campaign is that really what it looks to do is form partnerships and use technology and the powers of social media to literally reach millions of potential consumers, locally,

regionally and nationally. It will be through these social media companies, I'll show you who the initial set of partners are in just a second that will drive the marketing effort of this campaign. And each will do so in a slightly different way. Some will send out blast e-mails to some of these organizations have over 900,000 subscribers in the region and literally tens of millions of subscribers nationally. They will send out newsletters, they will feature San José at times for a week long series of promotions that will hopefully induce people to come and travel to San José, stay at a hotel, dine at our fine restaurants, enjoy our museums and other special, special events. But I think also, another unique aspect about this and I kind of referenced it a little bit, is a lot of them are looking to really create the San José experience. People do go to the auto show. They go to Christmas in the Park or special events like that, that they are putting value-add packages together or additional incentives for people to get in dine, spend the night. In addition for example going to the auto show, why don't you spend the night, go to a restaurant and maybe visit some of the museums later on in the day. We'll begin to put packages together oriented to travelers as well. We're very interested in trying to recapture the estimated \$19.8 million in sales tax leakage that happens here in San José annually when local residents shop outside. So we will be forming partnerships with large employers, and large retailers in the region that will help in terms of marketing our core collateral material in conveying the message to San José residents about the great value of services and goods that we have here in San José. How it's the environmental benefits of shopping locally and not driving long distances to shop and of course the positive revenue impacts that shopping locally can have on supporting public services. Really, it's the role of the city staff, and specifically Work2Future staff, operating through businessownerspace. And I want to Des Woodworth and B.J. Simms from my team. They're putting in a lot of time in helping to develop this. But our role really is focused on a couple of things, one is initially trying to nurture and coordinate these partnerships but really consistent with the relationship of businessownerspace.com, we'll be working with small businesses to inform them about the campaign, and really to inform them about the potential benefits of social media and how it can used to grow their business, but also in providing them with the practical applications that relates to the branding of the small business and the revenue implications for their businesses as well. So at the risk of generalizing, a lot of shop local campaigns are a day event, a week event, sometimes they're a month event, and they'll involve e-mails out to their partners, the residents, the business community. This really seeks to take this and make it viral, reach millions of people through the partners you see there, living social, Facebook, like list, yelp, Trubates, Dish Crawl, and the San José Mercury News. We are also

hopeful we will be participating with the American Express. They have a business called small business Saturday program which is the day after black Friday and get the word out about our campaign. And you'll see some of the local employers that have agreed to kind of work with us and the chambers of commerce, Hispanic chamber and the Silicon Valley chamber as well. This is just a initial set of partners that we will be working with. I should add as well that we're grateful for a grant that we received from the small business administration which is helping to fund a lot of the initial cost of setting up this program so no General Fund dollars are being utilized as we put together a core collateral material of the Websites and some of our initial outreach efforts. So we have already begun to do initial outreach to all the business districts, to the chambers, to the more than 40 boss partners to inform that this campaign is just on the horizon. We'll be doing second round with the business pictures and all the partners, probably in the middle to the end of September, once we have our Website that's oriented towards businesses. We'll have all the partnerships in range, we'll have the Website ready to drive them there. We will official launch the campaign on October 12th at the convention center. We're working in close partnership with the Hispanic chamber of commerce and Dennis King. Dennis does a wonderful job of putting on an annual event called festival that he held last year and had over 2,000 small businesses there and we expect that, it's kind of a minimum number that we're smoothing for, for the launch. And then we are also towards the end of September and beginning of October we'll gradually begin our outreach to local residents as well through a series of outreach events. We're talking to the environmental services department. They send out to 300,000 households every month, the household garbage bill including mailers and that to get the word out around the messaging of the shop San José campaign. Around that time as well end of September we should have up as well our consumer-oriented Website that we can drive people to. Just to kind of give you kind of a flavor for the content on that we have a short 30 second clip that we'll show you.

>> Councilmember Herrera: Oh we like clips. ∂∂

>> Councilmember Herrera: Okay.

>> With that that concludes our remarks. I do want to offer my appreciation to both the City Manager, Ed Shikada and Kim Walesh. They have been very helpful and kind of encouraged us to think outside the box as we developed this campaign. So that concludes our presentation.

>> Councilmember Herrera: Thank you, Jeff. This is not like the olden days when shopping, promoting shopping was handing out a few coupons and doing a kind of door to door effort. This is really amazing. Were you going to introduce the guests we had today from the --

>> Sure, there are a few people that put yellow cards together for comment.

>> Councilmember Herrera: They are coming to speak, great, I had a question for one of them. Should we go to the public first or does anybody want to speak first? First we have Tracy Lee from dish crawl to talk about this.

>> Councilmember Liccardo: I understand tomorrow they have an event at the Fairmont. But I think it's already sold out.

>> Thank you for helping us with that. So hello, my name is Tracy, I'm the founder and CEO of dish crawl, I know a couple of you already. Very quickly what is dish crawl and what do we do? We're actually located at next bay San José we're one of the first members over there and we're really excited to be a part of San José and the city and all the exciting stuff you guys are doing. We are very simple, we bring people together over food, think four restaurants and a whole lot of fun. Get the neighbors out engaging with each other and doing all that sort of social engagement around local businesses is really beneficial for them. So we're really, really excited to be a part of the shop San José movement. We're probably going to be filtering in I don't know the next six months to nine months 3,000 people within these different local neighborhoods. So starting off with Downtown San José, starting off with Alameda, we've connected with a -- this has been awesome in connecting us with a business association and neighborhood associations there. Pierluigi, I've heard about you so I heard you're going to be out there. We're going to eat together. [Laughter]

>> I'm excited about that. You know a couple initiatives that we're already doing. I mean we typically take people 50, to 150, around and we run around Downtown San José, currently we've been here since January. And, you know, Fairmont, right, we're having 120 people local to San José, coming out and checking out their remodel and everything like that and we're also going to be helping out with the Alameda business association. So anything you can do to kind of help us with this movement and again we're happy to be working with you guys.

>> Councilmember Herrera: Thank you. Okay we have Rob Misha from living social.

>> Good afternoon, Madam Chair, councilmembers, ladies and gentlemen, so yeah as Jeff sort of kicked off living social is very excited to be one of the partners with shop San José. Some of you guys aren't subscribers, and Tracy we've partnered with dish crawl as well. But we are a local venture startup company based out of D.C. but we really have two key external stakeholders where we effectively are partnering with merchants and we're effectuating a new advertising platform that really leverages the internet with social media. And then our other external stakeholder are our customers, subscribers or residents of whatever town we happen to be launched in. We're currently in about 400 markets across the United States. San José is one of them. I am by background the general manager for the Bay Area so I manage all the way Napa Sonoma to San José. I view my two crown jewels as San Francisco and San José. With our customers the other part of that external stakeholder group we try to provide them great experience so they can experience their city in a way that maybe they haven't before. And Jeff commented on creating a lot of fun experiences you can do Downtown San José, things like that. We've been working with Carrie for some of the cultural events and businesses, cultural centers we get really structure here to make shop San José very fun and exciting. As Jeff and I have catted, you know San José for us is again just a fantastic market. One of the things we hope to do in this effort is provide sort of additional revenue, bring more revenue into San José, but also get them exposed to living social. So as we sort of work with the top merchants in the various cities we're in, and we want to again sort of provide them with a giant megaphone that we do through our online platform to get them exposure to folks both in San José then also the peninsula and everything else. So you know we're going to continue to work with Jeff and the overall -- the economic development council. But we've had a great great experience thus far and I think the shop San José initiative is really groundbreaking. It is one of the things where you know Tracy mentioned we are based out of San

Francisco. And I've chatted with the city and San Francisco about that and they actually have not had any -- them sort of leveraging social media to help their small medium size businesses hasn't been at the forefront yet. So it's really commendable I think what the city's doing for the local business community.

>> Councilmember Herrera: Thank you. David Wall.

>> David Wall: On the last page, of the presentation here, I want to read this into the record. "no it is difficult to measure the revenue impact of this program, in a statistically valid manner, should the San José -- should the shop San José initiative result in a modest increase in gross sales, 2%, this would result in \$2.8 million increase in city revenues. As designed, no general funds will be utilized to fund the staffing or nonpersonnel cost associated with this program." As designed. Well, we heard a little talk about a grant of federal moneys to get this thing going. This is good, all fair put forth. But this is another illusory program. In which you really can't track your successes. So we have another variation of an incubator program. Looks good. Possibly could work. Now, it also has reliance issues long term. If your federal funding falls through, there is Work2Future's statistical business models. Argument could be made that's self serving in itself. It is good for those who feed off this program, such as the previous speaker's group. Go forward with this, knowing full well, this is an untested area. And what type of obligations are you going to be signing on to this long term, where you just can't come back and say hey, we need the auditor to look at this, when you could have prudent steps forward to prevent any type of scandal. Thank you.

>> Councilmember Herrera: Jenny Kohler from the Mercury News.

>> Good afternoon. I'm Jenny.

>> Squeeze it.

>> Thank you.

>> Councilmember Herrera: There you go.

>> So I'm representing the Bay Area news group which is more specifically the San José Mercury News. And I'm very excited about being involved with shop San José, work over the entire Bay Area, specifically, my focus of expertise and what I enjoy doing is working with small to medium size businesses out in the retail segment. And I do that in over five counties. I have six sales managers, with pretty extensive staff. And our over 2.7 million people read our trusted content whether that be news or advertising, over one of our daily or weekly newspapers as well as our Websites throughout the Bay Area. So we're looking forward to this partnership with the city to be able to really bring more awareness to Downtown San José, and to the businesses here. So as far as resources, we'll bring resources to this project. And getting the communication out to all the different audiences that we cover. So I want to thank you for including us. And looking forward to the future.

>> Councilmember Herrera: Thank you. And Dennis King from Hispanic chamber. And I can tell you he does have 2,000 people at festival. I was there last year and I was worried that we were going to have the fire department showing up over there.

>> We won't talk about that. But speaking of the future, it's been hard to like the partner work, Work2Future and Office of Economic Development for some time. I should say my name is Dennis King, Hispanic Chamber of Commerce. Among other things I also am the chair of the chamber of commerce coalition of Santa Clara County. Representing more than 10,000 small businesses throughout the valley. It's been our honor and our pleasure to try to build community, especially the small business, business community by bringing them together to celebrate the diversity and the vitality of the small businesses and event we have called festival. Thank you, Madam Chair. Last year we had around 2,000 business people. We had some 40 chambers of commerce. Nearly all the ethnic chambers of commerce in the valley, many of the city chambers of commerce. We had 38 restaurants, we had 20 entertainment groups. So we were celebrating diversity through food, music and through the people themselves. Thank you for coming. Councilmember AB Kalra you've been a great supporter from the beginning, I appreciate your support as well. When Mayor Reed spoke, he said Dennis what does it take to get to San José, thanks to your partnership we're bringing it back home. San José is not just a marketplace, San José is our home. It's interesting that we can learn from other communities, not across the land but across the valley. I

just came from the chamber of commerce coalition where the City of Sunnyvale chamber of commerce announced that this year they have a 20% growth, economic growth in their small businesses and their restaurants experiences this year experienced a 30% growth. So we want to find out some best practices from our colleagues in Sunnyvale and try to incorporate here had it in San José. Again over the years historically we've been able to launch businessownerspace at a past festival. We have also launched the languages when it became multilingual in Spanish, Vietnamese and English, and so this year, more than ever we're very pleased to partner with your partners, to celebrate San José. Thank you.

>> Councilmember Herrera: Thanks Dennis. And we have page bear from like list, a San José company.

>> Hi. So my name is page bear, thank you, for the introduction. In like list I'm actually the editor of like list. Like list is a relatively new company, we're startup, we're in the plug and play tech center in Sunday. I live in Downtown San José and that's where I do all my work out of so I'm a big fan of San José and I was born and raised here.

>> Councilmember Herrera: Wishful thinking.

>> So like list is an online and mobile site for sharing list and discussions about local businesses. And hidden gems and positive experiences between the people in the businesses. Because we're a site that's exclusively about touting our great experiences, with businesses that we love we're a big supporter obviously of local businesses and of small and local businesses, to help them succeed. So that's a big part of our business and so working with the shop San José initiative is a great win for us. Because we're all about helping people find the great things in their backyard. So one of the things I'm going to be doing for the shop San José initiative is I'm going to be working on creating and publicizing lists of sort of unknown hidden gems. For example, it might be a list of slow food restaurants in San José, a lot of people are into slow food especially with the resurgence of that movement and might not know which restaurants offer that kind of food. There's also some great hidden businesses that people just don't know about and don't get an opportunity to experience like, I love using this example because I'm a big slow food person and I'm a big farm person. So there's a Peony farm in San

José. Just hardly nobody knows it exists. Sam knows it exists. I love it, they have great olive oil, they have great Peonies, it's a great farm, that families would like to know about it, to take your kids to, to get fresh Peonies for your garden. We'll help people discover the great places they could be shopping ought rather than going to the same old same old, which we discourage, it is great to have your favorite places but open up a new world, so thank you.

>> Councilmember Herrera: Thank you, page. Before I ask my colleagues about any questions, I wonder if any people from the social networking agencies, can describe the fun of this, from an experience of somebody shopping or one of the businesses. If you could just give some real life, I know that like list sort of talked about this. Does anybody, living social or dish crawl or -- if you could give us just an example of what this program will look like, from the perspective of a small business who's going to get a lot more customers or from one of us online, discovering this and having fun. Can you sort of bring it to life a little bit?

>> So one of the things that we're doing in October is picking out lease to neighborhoods and using something like living social to promote that to all of their subscribers to say hey, this is what San José's all about, let's come out discover these two different neighborhoods, have again 500 people over four days, discovering these local neighborhoods and being able to actually know the chefs and the owners of the different places and then also after that empowering these local businesses to say look, 500 people, they just came to your restaurant, invite them back over for dinner. So bringing it back to really, really simple concepts that the small business owners understand, if you invite people that love you and invite new people, all of a sudden the organic sustainable community actually happens.

>> Councilmember Herrera: Thank you, Tracy.

>> Yes.

>> Councilmember Herrera: And I think that's the -- 500 new customers for a restaurant, I can tell you that restaurant owners out there would be very happy to hear about that. Do we have questions from my colleagues? Anybody? Thanks so much for the report, Jeff.

>> Could I give another example of so one that we chat about is (inaudible) mentioned earlier and we're also in chat with the Cirque group and one of the things, we actually partner with Cirque du Soleil in New York and we sold 12,000 tickets for Cirque du Soleil in New York. The numbers won't be quite like that for San José, but that's the type of demand that we can actually generate. And what that turns in, for a show like Cirque du Soleil, it's getting people while they're also in San Francisco, coming from south coming to San José, getting the hotel rooms and actually making the experience out of that. One of the parts of our platform we do partner with hotels in the area and sort of work that kind of a package. We're also talking about a Santana Row holiday, we'll have some sort of voucher to spend at Santana Row but also stay at the local hotel, things like that. Sort of driving revenue into the local city but also getting outside dollars outside San José into San José.

>> Councilmember Herrera: Thank you for the example. Do we have a motion to accept the report?

>> So moved.

>> Councilmember Herrera: All those in favor? Okay. And we're on to our last item, prioritize work plan for cultural connection, San José's cultural plan for 2011-2020.

>> Kim Walesh: You may recall when council took the important step last February of adopting the 12 year cultural strategy, you asked us to come back and identify the top 10 action items. This is a similar process that we went through for the economic strategy. You have the big picture but then what are you going to focus on in the next year or two. So we're very pleased to have Bobby Yount, chair of the arts commission, and Kerry Adams Hafner, our director of cultural affairs, to share the action plan.

>> Councilmember Herrera: Good to see you, Kerry and Bobby, welcome.

>> Thank you, Rose. Good afternoon, councilmembers, thank you Kim, good afternoon colleagues. It's a pleasure to be here this afternoon to talk to you about the implementation of cultural connection. San José cultural plan for 2011 to 2020. When the council adopted cultural connection in February you took a significant step forward in guiding cultural development here in San José. It is signaled at that time that the arts and culture are key components of San José's quality of life and economic prosperity. As we know, cultural development is important part of our economic development strategy. In fact, the City of San José is a national model, and that cultural affairs function is fully integrated into our office of economic development. We know here in San José that the arts are not only good for people but they're good for business. Helps drive employment, helps drive sales as well as the parking revenues, as well as the transient occupancy tax. Also we're hearing more and more from the business community that the arts and a sense of place or a sense of creative place or vibrancy are what brings both talent, as well as business, to San José. Since this plan was developed, I just want to tell you we've been getting some wonderful traction on our initiatives and great national attention. In fact in June we were honored as the inaugural awardee for the public art program of the year from Americans for the arts. And that we were very proud to take that award home. We also have received two very prestigious and competitive national endowment for the arts grants including the highest amount they granted for the our town program for a new initiative called Silicon Valley inside out. And also, we were noted as a national model in another NEA publication called creative place making that we were doing great work with creative entrepreneurs as well as ZeroOne. Having a cultural plan helps guide our success forward. I also just want to reiterate our cultural plan is a community plan. So it aligns the goals of the city with the goals of our partners. So the city has very specific roles as does the nonprofit sector as well as the philanthropic sector and the private sector. And the adoption of this plan also signals that the arts are an important civic value. And right now, even despite the City's contracting resources, this is a very important message for us to continue to say collectively. We've heard from our nonprofit arts partners that we need to convey both confidence and a continued commitment to the arts and cultural sector. This is very important for their boards as well as their donors. I also just want to point out that since cultural connection was adopted the office of cultural affairs has successfully raised over \$700,000 over the past ten months. As I mentioned part of that was the our town grant Silicon Valley inside out and the goal of that project is to wed collaborations between the arts and technology sectors and animate the downtown. So having a cultural plan in

place made the city more competitive, clearly. Now also demonstrated our priorities and our signs of readiness. So when the council adopted the plan, you gave us direction to go back and develop our top ten priorities. So we have worked closely with our partners, 1stAct Silicon Valley, Arts Council Silicon Valley, as well as the San José arts commission, and this led to a very valuable exercise in that we had a very focused very intentional conversation with each other. And we developed this top ten list and we also considered the City's existing resources as well as our financial position. So therefore, this work plan is what we call a leveraged strategy. So we are using our resources, our limited existing resources and we're matching them with the resources of our partners, so that we can maximize impacts on our aligned goals. So the result of this exercise is the work plan that we're presenting to you today. It outlines our top ten priorities, our key partners, our resources that are required, those initial first steps, and also, progress made to date. And because we've been underway on these initiatives for several months now we've made some significant progress so far. And I just want to say that a key partner in the implementation of this strategy is the San José arts commission. And I'm here today with Bobby Yount who is the chair of the arts commission. I think everybody here has had the opportunity to meet Bobby. We're very fortunate in San José to have very committed leadership on the arts commission. It is a very good arts commission who is going to work with us to steward the plan. At this point I'm going to turn it over to Bobby to talk to you a little bit about the plan.

>> Thank you. Without enumerating the plan let me just give you a couple of sort of high points. First of all we're not asking for any more money. I'll say that again, we're not asking for any more money. Second of all we are dealing realistically with the arts community about the future of public funding. And we are working with our arts coalitions, with our arts groups, to help them become increasingly independent of public funding and to guide them in ways in which they can acquire funds and growth strategies outside of the framework of the city. And that is our -- and we are serious about that. We -- this is not a -- we're not at the wailing wall. What we are is at the wall that tries to say, there's another way, and we have to find that way, and we want to make that way successful. I think that just this past -- God, it seems like a week ago but it was last Thursday. We had a public hearing, a stakeholders hearing, about the revision of our granting process. Now, that is -- has become almost an annual event, that is, the tweaking of the granting process. Because we are confronting increasing constrictions on how we grant money. And we have heard from the mayor and we have heard from the council. And our future,

we understand that we will have less money. And that we'll need to allocate those funds to a smaller number of groups, and that the competition for those funds will become more keen. Those are realities. And I assure you that those are the realities that the arts commission and the office of cultural affairs, we are moving towards this. This is not a serendipitous situation and we are certainly not treating it that way.

>> Great, thank you. As I mentioned we're very fortunate to have our pragmatic realistic leadership and very eloquent leadership. I also just want to point out that we have a couple of office of cultural affairs staff with us today. Special events director Tammy Turnipseed. Public art directors Barbara Goldstein and senior arts coordinator Lynn Rogers. So each of us can serve as a resource should you have any questions. At this time we would like to open it up for questions and also a top ten priorities. We also welcome any input that you might have about potential opportunities and partnerships.

>> Councilmember Herrera: First of all, thank you for the report, and Bobby, thank you for the sobering message. Even though you are not looking for money I think it's very important that you hear from the council how important your mission is. It's very critical. And I think everybody up here is supportive of the arts and understands the connection of art and economic development. Because people that come -- that want to come to a city to live to work and play, want that cultural connection. They want to see arts. They want a vie brand city and that's definitely part of it. The other thing I wanted to say is the central events and things that go on in the city that aren't necessarily supported, they don't actually happen in all the districts throughout the city, I think those things inspire local communities throughout the city to create their own events. I know it does in my district. So I think you get a -- you leverage actually the excitement of the big events. It shows people that they can do things and so there's people doing things all over the city. So I think even though we're not talking about putting you know General Fund money and allocating a lot of money from the city to do this, your mission is incredibly important so we want to do whatever we can. I want to do whatever I can to support you in the mission that you guys are all working on and I appreciate the work you do. I'll open it up for comments or questions.

>> Councilmember Liccardo: Yeah, just really do appreciate all the hard work that Carey your team has put in this and Bobby certainly all the great work of the commission as well. I'm particularly happy that live music made it

into the top 10 through number 7 and large outdoor events also made it in there. Those are real critical priorities for us and I think this is the right set of priorities and look forward to seeing how we can support you to make it happen.

>> Councilmember Oliverio: Congratulations on the grant of a sizable nature. Look forward to how those might turn out. As you mentioned illuminating the downtown. Bobby, appreciate your comments very much so thank you for continuing to serve on the arts commission and setting the new expectation that exists in local government, thank you.

>> Councilmember Herrera: And I guess we do have a comment, David Wall.

>> Before -- may I make just one response?

>> Councilmember Herrera: Absolutely.

>> In our granting processing this year for the very first time we have added a waiting for economic impact and that is in direct response to the mayor's request and to the leadership of the council that we ask our arts groups to develop a tracking mechanism, quite honestly it's not as difficult as it may seem to start with. But we are including the economic impact as a weighting factor for the granting of public moneys in this them round of funding.

>> Councilmember Herrera: You know I did have another question for you guys. So as you look arounds I'm sure you look at other cities and how they do this. Are you finding any other useful models or ways of generating from the private sector too? It seems like some cities have very generous benefactors that get involved, I don't know what mechanisms are but have you found some things you use to emulate?

>> We are continuously looking at other cities. What we've found in successful communities there is this very tight partnerships with the nonprofits as well as other service organizations, that we work collectively so we support for example other arts organizations, grant applications to foundations. We might help work with them to develop

board support or, you know, major donors. So we work collectively on a strategy that might help us as a collective sector.

>> Councilmember Herrera: All right. So I think we'll -- now we'll hear from -- we have a -- one person from the public, David Wall to speak on this item.

>> David Wall: We all appreciate the arts especially the outdoor music events, in my particular realm, I also like museums. The issue is the cost of the administration of these public arts. Whether or not the administration should be just contracted out, saving that extra money for more art, more music. The parasitic nature of the public art funding with the transient occupancy tax has a deleterious effect on hotels and that has to be reviewed. The repeal of the public art tax on public buildings is already under discussion with reference to the water pollution control rebuild. With fiscal year 13-14 there's going to be grand Mal amputations of public services throughout this city. There's no stopping that. And so the move to privatization of your arts program should take forefront. Let's read something into the record on the front page of this report. "acknowledging the projected General Fund deficit implementation of the plan components that involve city government will be subject to the appropriation of available funding. Consideration for funding of specific initiatives will be assessed annually as part of the annual budget process." It is good to look at the clock. Cause the clock is ticking on any money that you're going to be able to give this group. Good afternoon.

>> Councilmember Herrera: Okay. And I think we -- and I would like to entertain a motion and this needs to be cross referenced to the council as well.

>> Councilmember Liccardo: So moved.

>> Councilmember Oliverio: Second.

>> Councilmember Herrera: All those in favor, aye, opposed, motion carries and we are at open forum, David Wall.

>> David Wall: This is in reference to the audit that learned council, Councilmember Liccardo, thank you for using good police techniques about this incubator program. Now, the problem with additional work to the auditor's office is that the audit of the environmental services department is so complex, any additions to this work plan can hinder it. Now, ESD, advanced water treatment, reclaimed water, these are nightmares in progress. Most of you haven't realized the dangers of what's going on out at that water pollution control plant. Hopefully, nothing bad will happen but this advance water treatment could collapse in your very lapse. The criticism I have of this committee is, you should be doing your jobs insofar as all the illusory programs that are coming before you, I mean they're fine, they're glitz. It's a cheer leading event. But in reality, there's no accountability to the amount of money that's spent on these things. And when businesses leave the city faster than you retape them, as councilmembers memo shows, there has to be accountability to you folks. Because you permitted it to occur. And all through today we have new programs that are glitzy but no substance. So those two items, I'd like to thank Councilmember Liccardo, again, for finally catching about that incubator program. But also beware of this environmental services department audit. This is the most complex audit I've ever seen in about 20 years. Thank you.

>> Councilmember Herrera: Okay, meeting adjourned.