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>> Rose Herrera: Okay so I think we have a quorum. So I'll call the February 2011 meeting of the Community and Economic Development committee to order. And it looks like according to the work plan shows that the tobacco retail licensing youth decoy item was moved to Neighborhood Services and Education Committee work plan, for their 4-14-11 meeting. And so do I have any comments from the public on that? We are looking at a deferral.

>> Sam Liccardo: Motion to approve deferral.

>> Rose Herrera: Okay, all in favor? Opposed, motion passes.

>> Kim Walesh: Excuse me, Madam Chair. I have a work plan update if I could just add before you move on to the next section.

>> Rose Herrera: Okay. Sure.

>> Kim Walesh: You may recall on December 15th, the Rules Committee directed staff to -- this concerns the payday lending ordinance. On December 15th the Rules Committee directed staff to apply for a grant from the Silicon Valley community foundation to develop a payday lending ordinance in San José, and directed staff to report back to this committee in February on the status of the grant. So I'm just reporting that staff has applied for the grant, and we received verbal notification that we've been awarded the grant and we're now awaiting written notification as well as details about the agreement. But we're also recognizing that that February 14th council senior staff study session did not identify this ordinance as a top priority at this point. So what staff will do is seek further council direction once we receive official notification of the grant. So because Rules asked us to report back in February I just wanted to give you the verbal update with the good news that looks like we're going to get the grant.

>> Rose Herrera: Okay, great, thank you Kim. Do we need to take that vote again based on that? Just an update. Nothing on the consent calendar. Let's move on to the verbal report of our economic activities. Kim Walesh is here our new director of economic development. Congratulations, Kim, we're very excited. [applause]

>> Kim Walesh: Thank you, Madam Chair. Thank you, I appreciate it, and look forward to continuing to work together. This is, as we've done before, just an update on some of the highlights. And I think in my new role I want to say over and over again that job number 1 is regaining jobs in San José as the economy recovers. So I wanted to emphasize some of the activities that are leading to new jobs. So in the attraction area, we are part of a success on many fronts, thanks Steven, the attraction area, we are getting a lot of good leads from the United Kingdom, their UK trade and investment group. So we participated in a session on the future of healthcare. I know I was on the phone last week with a mobile health care applications company that came from from this group. So cell phone applications of health care and other exciting activities that are coming. So part of what we're trying to do is help foreign companies land here. Also we are working with company relocating to San José, microchip technologies. This is a great example of the STI program working really, really well. We're also working with SoloPower which is a company, it is that sweet spot of 120 people in Edenvale. We've helped them get clearance to use their \$2.6 million loan from the California energy commission. Also in Edenvale we're working with nanosolar on expansion, a couple of hundred people poised to go to 350 people. We are also working with supermicro, a fabulous company, a great employer, they're at 1,000 people right now and we're working with them to expand their warehouse facilities on Rock avenue so they can add 300 people. A lot of good stories about companies poised to expand and the whole economic development team to make sure these expansions happen. In the area of development facilitation, as you know we continue to work to make the urban market project happen at San Pedro square which is now moving into the tenant improvement phase as they start to sign leases for retailers there. We continue to be really excited about tech shop moving into downtown. And are working with them toward a June opening. We're also continued to move forward on the Arcadia Almaden retail project with the request for development zoning. And then last we have been in conversations with UP regarding buying the spur that would be necessary for the expansion of the three creeks trail. So our development staff is involved with that. One of the things I'm most excited about is our team going out every month to meet with companies that are venture-backed or show up on growth company lists. Let me just pull out one example

here. Chromasun is a great company in North San José. They basically do solar cooling. So they have a technology that can heat rooftop water to 350° to drive absorption chillers. The freight thing about this company is that they are actually assembling their product in North San José as well as developing the technology here. Another company, penn data is downtown. This is a technology where it's a special pen that actually as you're writing your notes in the council meeting you're able to then take that pen and download the contents to your PC and have all your notes and be able to manipulate it. Some of these ideas, these companies are small and we are in touch with them so they root here and they grow here and they know that we care. So a couple of other activities to accelerate emerging technology sectors. Just wanted you all to have the April 10th through 13th dates on your calendars. We are hosting about 600 people who are experts on business incubation internationally. Stephen will be in touch with you about opportunities to participate in sessions. Also last month with Scott Green in the lead working with the mayor's office we hosted at Cisco the mayor's clean tech legislative summit which is an annual event which brings together all our key industry representatives to figure out what we're going to work open at the state level and at the federal level. Of course you know the two of you are on the subcommittee for the airport. We continue to really work on growing international air service. And I just here want to recognize the very important partnership that we now have with the Silicon Valley leadership group. So Carl Guardino, please thank you when you see him, came on this trip and it made all the difference in the world, for somebody who represents 330 technology employers in Silicon Valley, to say we want this flight, we will work with you to make it successful. This was about potential air service between San José and Tokyo, and of course we're working on many other routes. In the area of international, the Irish are coming again as I know you know they do every year the first week in March. I think what's special this year related to economic development is that the winner of the spirits of Ireland award is John Hartnet, the driving force behind the Irish technology incubator. So we really look forward to celebrating him. And you probably know that San José administers the federal foreign trade zone on behalf of the broader region. This is really a critical incentive for manufacturers, and even though Tesla is not located in San José, they're important to the region and we're working with Tesla to make sure they can benefit from that foreign trade zone. You may have seen the large numbers of youth in City Hall last Friday. I think this is a great example of the work of Work2Future. We had hundreds of youth show up to learn about jobs that are being created, that they could apply for and get coaching about how to do that. Another success story is flex Tronic's AeroTek. Radio recruiting for 120 positions a large number of those in manufacturing. So these are

good positions that we still have in Silicon Valley like machine operators, material handlers, quality assurance inspectors. So we had over 630 people come, and AeroTek created 200 interviews on site. So I say this because you know we still have double digit unemployment in San José we have how a Congress that this whole program, Work2Future is at risk at the federal level and in my view it is one of the most important things we do. We need to create the jobs but also connect our residents to these jobs. So that's a quick tour. I think we continue to communicate messages so when we do good things we need to tell the world about them. So for example, when the mayor was in Tokyo, we took that as an opportunity to meet with NIKKEI, the major business publication there and tell the story about San José's recovering economy, economy recovering faster than any regional economy in the United States at this moment. We have a number of events coming up again for calendars, this week the earthquakes soccer, the demolition of the building on their site which is another step forward, right speed is one of our environmental technology companies. We're having a ribbon cutting event for them, electric vehicles, on April 7th. The Sierra road is definitely when the Amgen tour is going to be ending on May 18th, and then I mentioned the business incubation conference. So thank you. I just want to assure you we're very much focused on what we can do to make it easy for companies to add jobs to San José and as easy as possible for our residents to connect to those jobs.

>> Rose Herrera: Thank you Kim. Excellent report. In terms of the Work2Future portion, is 30 any attempt for us in our legislative aspect to show support for that program on a federal level? Can I ask her this in verbal?

>> Kim Walesh: So absolutely. This is a high priority. Our country has high unemployment and this is the only government support to help people with resumes accessing unemployment benefits and getting retraining dollars and San José has taken a lot of advantage of this to help our people. So we are part of the national network. The mayor's office, we have letters from the mayor that have gone out to our delegation. The leadership group is going the week in middle of March going to D.C., so we're attempting to make this part of their agenda. But we'd appreciate any help that you can provide because it's obviously absolutely critical to supporting this work which is entirely funded with federal dollars.

>> Rose Herrera: I happen -- I walked across the -- near the rotunda and saw all the job seekers, hundreds and hundreds of job seekers here, young people and I just think it's so important. I know over time I grew up in San José and we have such a changing job market and need for retraining. I think we have an even higher need for retraining here in the valley that these dollars are so critical for us to maintain jobs. Does anybody else have any questions?

>> Councilmember Oliverio: Thank you chair. Congratulations Kim on the new position, the title. Look forward to everything you've already done successfully to the city going to the next level.

>> Kim Walesh: Thank you.

>> Councilmember Oliverio: Quick comment because I'm not able to ask the question per the attorney. I know. Exactly. So what I'm hoping though, I saw the thing as I came in about microchip, nanosolar. Other of these companies that might have a chance to do relocation or expansion in San José, and as we may have a small narrow window of our Redevelopment Agency, my hope and aspiration is that we use that to close some deals in the quickest way possible because I know there is some budgeted funds for that and we try to get as much as we can either in Edenvale or North San José.

>> Rose Herrera: Great. So we are going to move on to the Mexican heritage plaza update from Dave Sykes.

>> Kim Walesh: Actually we have the key people that have been involved with the project and are going to make the presentation. Peter Jensen who is the acting assistant director of Public Works and Alisa Echeverria, who is the transition manager for Mexican Heritage Plaza, also working out of Public Works.

>> Rose Herrera: Great.

>> Thank you, chairwoman, councilmembers. Thank you so much for the opportunity to present. My name is Alisa Echeverria. I'm the Mexican Heritage Plaza transition manager. I'm very pleased to be reporting to you on the

significant progress of the Mexican heritage plaza steering committee since our last committee report. Since then in May of last year council approved the sketch for a school of arts and culture in Mexican heritage plaza and I just want to emphasize that this model of a school of arts and culture is after-school programs in arts education. We've also seen the beginning of school for the San Antonio first graders, the kids from the Alum Rock elementary school district. They have been on site at the plaza since August of 2010 and will remain at their main campus which is being rebuilt now for their next academic year in 2011. The MHP steering committee teams have been meeting over the past couple of months, currently discussing fundraising financial modeling and prototyping. Some highlights of that work are securing a \$15,000 Castellano family foundation grant which is going to phase 2 work of this process. As well as highlights from the financial modeling group who met in a two day retreat to meet with practitioners from both local, regional and national organizations to discuss the financial model for school of arts and culture. And lastly a highlight from the prototyping group is the development of a request for proposals for summer programs. These classes that would start in July of this year. So upon meeting twice as a full committee in February, the steering committee members have developed and described the role of a nonprofit interim incubator operator for a school of arts and culture at MHP. In summary, the role of that operator is listed in this slide. The report that you received for this committee meeting also included the full description of that role. But I just like to note that the purpose of the IIO is to develop the community vision for the school of arts and culture towards implementation and particularly this organization must be able to demonstrate the ability to fund raise as well as develop earned revenue stream to partner with other organizations, to continue a relationship with the City of San José, as they will continue to be the landlord and owner of the facility, as well as the management of a budget and development of future leadership. After approving the description of the IIO, the steering committee met again to consider the potential candidate organizations to fill this role. The committee concluded that only 1stAct Silicon Valley could fulfill all of the elements of the role described. The following reasons for the committee and staff's represents for 1stAct to take on the IIO role is listed in this slide. I'd like to note that this is an incubation role, so 1stAct would not be the permanent operator, but rather would be stewarding the vision for the school of arts and culture, through a period of 18 to 36 months towards full implementation. I'd also like to note that 1stAct strategic focus of their organization is in arts and cultural ecosystem as well as cultural engagement and multicultural arts leadership. 1stAct has also demonstrated significant capacity for fundraising and successful organizational management. For purposes of due diligence,

staff performed direct inquiry to other organizations that we identified could potentially perform the operational functions and exhibit the core qualities and competencies of an interim incubator operator. We approached the following organizations, MACLA, Hispanic Foundation of Silicon Valley, Somos Mayfair, Teatro vision, and the Community School of Music and Art in Mountain View. The outcome of those conversations was that while all of these organizations are interested in being partners in the future, at this time, they are not currently in a position or otherwise interested in taking on the role of interim incubator operator. At the time of the written report, that we submitted to the council committee, Connie Martinez, 1stAct executive director, was awaiting a meeting with her board to discuss the steering committee's recommendation of 1stAct to take on this role. Their board met on February 22nd and determined that they are willing to proceed with negotiating the terms of that role with the City of San José. The board would like to oversee a deeper financial analysis of the operational budget, but is generally supportive of this role for their organization. Our recommendation for the council committee today is to direct staff to progress in the direction recommended by the Mexican heritage plaza steering committee and begin negotiations with 1stAct Silicon Valley as interim incubator operator for the schools of arts and culture at MHP. We are prepared to come back to this committee in April as well as to the full council in May in order to give the council further information with which to make a budget decision. Thank you for your consideration and we will take questions.

>> Rose Herrera: Thank you very much for your report. I wondered if you could just talk in general about what do you think 1stAct or that operator will need from the city in order to be successful?

>> Peter Jensen: Peter Jensen acting director of Public Works. The way we envision the role is certainly we need to partner with 1stAct. If in fact the council approves the business plan in May which is part of what we would come to you with, going forward for that 18 to 36-month period the city would need to partner as the landlord, and we'd also envision an annual subsidy as we do with most of the other cultural facilities. We would need to work through that business plan, and through our negotiations with 1stAct, to determine what the level might be, in the memo we've talked about sort of a preliminary look at perhaps about a 10% reduction from where we are now, net cost to the city, this year being \$680,000, maybe look at that \$600,000 range as a first year and then we'd have to talk more about away the possibilities are. Rather have the council make decisions on that

based on a full business plan, really understanding what all the other sources of income are, what the expenditures look like and all that. But very preliminarily, that is what it looks like.

>> Rose Herrera: The 600, is that going to be the baseline? How low do we think that to be ultimately?

>> Peter Jensen: Somewhere between zero and 600,000. It's a question of how well the school model works both in terms of earned income and contributed income. I think certainly there's interest in the model from foundations. Whether we can then have success and then sustain that interest, I think all those things are open to question. And that's part of the reason that we think the interim role is a good one, because the city will have a few years to really see this in action, be able to have a better idea of what's likely to happen.

>> Rose Herrera: Councilmember Kalra.

>> Ash Kalra: Thank you. Thanks Peter and thanks for your work on this and elisa thanks for the tremendous amount of work that you have put in to this for a very long time now. Thanks to the committee members, and those from 1stAct who appear to be willing to step up so to speak. I remember early on some of the discussions of this model and I know -- I feel hopeful that we can start to approach the zero-dollar number from the \$600,000 number as we go forward and you know work on this model, I think that it can be successful here in San José. And I think we have enough interested community partners that can help make it successful. And even with the suggestion of being negotiations with 1stAct, some of the other organizations' names certainly I'm hopeful will continue to be part of the community that helps to continue moving us in the right direction. Because you named some really good organizations as well. But I do appreciate the report and all the work that's being done. It looks like this is the direction that I think was incorporated from some of the early meetings that it seems like we're headed in the right direction. So I feel hopeful for the plaza and I think that 1stAct can certainly help us get there with their guidance as well, and so I'm happy to make a recommendation accepting the report as well as directing staff to begin those negotiations.

>> Councilmember Oliverio: Second.

>> Rose Herrera: We have a motion open the floor. You have a question, Councilmember Oliverio.

>> Councilmember Oliverio: I think on the \$680,000 cost for the city and I understand we do this with other cultural institutions, is there city rules that dictate that the cost be more expensive than it should be?

>> Peter Jensen: Well, we have three city employees. Elisa is a temporary employee, so the rules are a little bit different. You could argue that our rules for employees drives costs to a certain extent. In terms of nonpersonal cost, probably not significantly. Certainly a nonprofit may be able to rely more on volunteer and other kind of partner arrangements than we might. But I wouldn't say that there's necessarily any policy or law that drives costs higher for the city to operate it.

>> Councilmember Oliverio: Understood. So then on the operations and maintenance what makes up that \$680,000?

>> The three employees, so two employees who support events, operations and then one who supports the theater, from a sound and light technician point of view, and then operations and maintenance contracts, so anything from HVAC system, electrical needs elevators, all the kinds of things you need to operate a facility that size.

>> Councilmember Oliverio: So the cleaning of the facility is done through a contract?

>> Yes.

>> Councilmember Oliverio: Okay but that's also done at the City's wage rate versus what the private market would be?

>> Yes, it's actually done through City's contractor.

>> Councilmember Oliverio: I think it's important to note that as we try to keep these cultural institutions alive, that we sometimes increase the cost to ourselves. And so you just have to think about that. If you really want to keep some of these things alive, then you have to consider doing it differently. Otherwise, you just won't have enough to provide for anything.

>> Rose Herrera: Any more questions from council? We have David Wall who would like to speak on this issue.

>> David Wall: Good afternoon. First (inaudible) page 2 is interesting. With reference to the fundraising, financial modeling and prototyping. These are indicators to me this program doesn't stand a prayer's chance of being successful (inaudible) if ever. The perennial lack of a business plan is just ludicrous. It's an embarrassment. Mexican heritage plaza since its inception has been a failure. Hasn't done anything but cost the city a bunch of money. When you are talking about a \$110 million deficit, how can you afford \$680,000 for this year and then entertain a mild reduction to \$612,000 for next year. This is ridiculous when you are cutting Public Safety and other functions. Now, true, this is a good idea if you had the correct funding, the correct management plan this would be an outstanding thing for the city to have but you don't. Have an airport on the verge of collapse, the City's on the verge of collapse. Your economy is going nowhere and yet you have money to spend for this. I'd say, contract with the security company and just put a fence around it until you have better times. Pay your debt service. And politely excuse these people from any further consideration. Thank you.

>> Rose Herrera: Okay. We have a motion on the floor to approve this item. All those in favor? Opposed? Motion carries. Okay. Next we have the clean tech strategy report, I believe being presented by Nancy Kline.

>> Kim Walesh: I'd like Nancy and Don to come up here. Scott's our lead presenter but just want to make the point that this is always a team effort. Is there anybody from ESD here? Okay.

>> Rose Herrera: Bring the team up.

>> Kim Walesh: Goal number 1 of the Green Vision is to generate 25,000 clean tech jobs in San José. We've had cities all over the world come and ask us how we are doing this. We shared our strategy. We thought it was time to share our strategy with you, our leaders, because it's very sophisticated, very comprehensive and it's working. So we have a team of people inside City Hall from the agency, OED, environmental services, and D.O.T. as well as lots of partners outside of City Hall who are working with us on this. And Scott Green is our point-person to bring all the team together. He's our clean tech policy advisor. He's going to lead this presentation. I just want to start by doing the first slide, though. You know, Silicon Valley goes through waves of innovation. And I think we all see big opportunity for clean tech to be the next wave. But unlike prior waves, there's probably an even bigger role for cities to play as accelerators of bringing all of the different pieces together, to move this sector and the transition to a clean energy economy forward as quickly as possible. And I feel like we are being recognized increasingly as a national, international leader in the role of cities is accelerating the clean tech sector. So Scott.

>> Thank you Kim. Good afternoon, committee. I'm going to start with an indicator slide. Numbers always tell a great part of any story, and the numbers look good here we think. The clean tech job numbers for San José hover conservatively around 4350. We've experienced steady growth year over year despite the down economy. Clean tech venture cap investment in the region was \$5.1 billion over the last four years with \$1.2 billion in 2010. Much of the capital is trending towards later stage and follow-on investment. It's a frustration of many of the early stage folks that we see. But it's where the smart money is in the later stage. But thankfully we have a good network of angels and seeds in the region. Clean tech annual job growth for the region outpaced the state coming in at 8% in 2010. The state growth was at 3%. Our region to the south, of San Diego, was slightly below us at 7%. And then finally in a study commissioned by Work2Future on Silicon Valley's emerging green sector based on I think 100 employer surveys they registered high confidence in hiring over the next 12 months. Behind the Green Vision is our clean tech strategy. Four sectors, incubation, demonstration, collaboration and business support. The city works on the demand side by setting ambitious goals and adopting policies that drive our demand. On supply side, we support the companies that are forming and growing to provide clean tech solutions help us advance our local, state, national sustainability and economic development goals. So we work in incubation for new clean tech

companies, demonstration for the proof of concept piece for the new technologies, collaborative stakeholder efforts and business sport. We have a strong commitment on incubation early stage companies through our city backed incubator network providing specialized office space, commercialization support, and network opportunities for a range of startups. The list of San José incubators includes environmental business cluster, San José biocenter U.S. market access center, Irish innovation center, iPark. The environmental business cluster is viewed as an international leader, providing educational O&M since 1994. They've graduated out over 180 companies and as recent as 2008 they were recognized by the national business incubator association as the top of incubator of the year and that's the conference we'll be hosting here coming up in April. I think this is, I don't want to say it's everybody's favorite part of the story but it's a good part for sure. We're very, very serious and committed to demonstrating emerging technologies using our businesses land processes as a test bed. It is critical for emerging companies to track capital and hopefully scale quickly. The city was the first in the nation to adopt a demonstration policy and issue an RFI for demonstration that I believe received over 50 responses. Pictured is the Coulomb electric vehicle charge point. This is first demonstrated across the street from City Hall, now it's a Department of Energy and CEC -- California Energy Commission deployment program, nine cities across the country, 5,000 charge points. We're also demonstrating street lights, solar and energy efficiency demonstrations, and we are constantly entertaining this conversation with people throughout the valley. I think their reputation is a good one. Collaboration. San José is committed to fostering a complete model to grow the clean tech sector. Given its deep regulatory interface and its longer investment horizons for clean tech and the budget problems, local Government well chronicled pulling together is critical to advance the emerging sector. This is a collaboration continued slide, forging active ties to research institutions and labs. You can see some familiar names up there in UL and Berkeley and Enrel and Kendia and Massa, and on the university side, Stanford University, Santa Clara, San José State, U.C. Berkeley, Santa Clara University. And we're always there hopeful to catch technologies that spin out of the labs and spin out of the universities as they live here and create jobs here but we're also mindful that our interests are parallel and important. And as Kim indicated cities are accelerators in this space. And so we're more and more forging active ties here. There was an energy regional innovation cluster application unfortunately we were not successful on but we have -- it included Stanford university, Berkeley, Lawrence Berkeley National Lab, drawn all the way up to San Francisco and the Sacramento area regional technology alliance. And we have continued to work with a number of those members in advancing

the clean tech agenda in Silicon Valley. The I-hub program is another example the city applied to the Governor's Office of Economic Development to get it designated as emerging technology I-hub. We have done that and we are in the process of working with our partners to advance commercialization efforts for technologies in Silicon Valley. And the last piece I'd say is a cool technology partnership with Lawrence Berkeley national lab is another example, where we're working with their energy efficiency technology division in their urban seed island group to be a test bed city, an integrated research demonstration and solutions program to bring new technology and applications to scale using our infrastructure. Business collaboration continued also. Regional industry and advocacy groups collaboration, some of the -- I know you're very, very familiar with many of those logos. Not all of the partners are up there. There is not space enough for the partners that are working in the space in Silicon Valley but we collaborate effectively with these regional industry and advocacy groups to advance this agenda. Examples worth calling out are joint venture Silicon Valley's climate prosperity initiative which is working to pull agencies together around aggregated procurement for solar to drive down real and administrative costs. They recently convened a storage composium that we participated in, as well. Silicon Valley leadership group, very active in the data center energy efficiency space. But also, very, very active and effective on the state and legislative front. And finally the Bay Area climate collaborative which is spearheading an effort with San José, Oakland and San Francisco on regional EV infrastructure grant activity and promoting other regional coordinated procurements for the region. The last quadrant I guess you would say is business support. This includes facilitation, policy support and financial support. On the facilitation front, RDA and OED provide site selection assistance, introduction to key suppliers, identify potential customer clients, potential investors, secure letters of support from local, state and federal elected officials on grant opportunities, and of course workforce development support. On the policy side, which is I think it's worth saying, again, it's an important part of advancing the clean tech agenda, to be very, very active on the state and federal level. In addition to our legislative priorities, the mayor adjourns the clean tech legislative summit where here is real feedback from industry in clean tech verticals. And we take all of that and we do our best to actualize it. And the city has been active on net metering, feed-in tariff, investment tax credit, among others. And most recently Senate Bill 71 which is the sales and use tax exclusion, for clean tech manufacturing put in service in California staff was very, very active on that bill and on the first round of applications from the state over half of them stem from Santa Clara County which is a nice indicator the number of those applications were from San José proper. And finally financial support, Work2Future,

on-the-job training funds, employment channel -- let me try that one more time. Employment training panel funds and CDBG funds for capital equipment acquisition. RDA funds for capital equipment acquisition and manufacturing tenant improvements, the city agency investment from 2007 to 2011, \$10 million in capital equipment assistance has generated over \$486 million in private investment. Quick trends and observation slide. In the Silicon Valley emerging green study that I had referenced earlier that was commissioned by Work2Future we're starting to hear anecdotally, that contract manufacturers are playing a unique role in San José. We feel there is a need to gain a little bit more data here and promote it as a unique asset that San José has. We will routinely hear from companies around the region where that might be headquartered out of the region but when you ask and learn a little bit more about their value chain you find out that they are manufacturing right here and they are sourcing product right here. And so as we understand this clean tech cluster a little further, it's a trend that we want to dig under a little bit further. And the other trends and observations, innovation and regional deployment models for procurement, access to capital remains a barrier for industry and buyers. And I'll just say I call this one eye on Washington, two on the marketplace. And that is borrowed from CEO of Serious Materials Kevin Surace, which is sort of giving our stalled politics around energy policy, that you're going to start to see a real regard for market dynamics, channel strategies and sort of return on investment or total cost of ownership as it relates to clean technologies to move this marketplace. Finally, last slide, I started with numbers, I'm going to finish with a picture. I don't know if it tells a thousand words but what you see here is CEO of Cisco, John chambers, our former governor and president Medvedev from Russia when he visited. This picture was enthusiastically sent to me by a startup company. It was very important for this startup company to say, you see this picture? Everybody sees Cisco but that's our software platform. And you dig under it a little further, it's that software company that was part of Santa Clara University, that spun out as part of the solar decathlon competition. That hired up, that tried to sell. And sold. And as of a week or two ago was acquired by a clean tech 100 company. And so when we go through our strategy and we talk about the importance to be involved in all aspects of the ecosystem and the labs and the universities and the startups and fostering the interplay between small and medium large size businesses, I think this is an important story and this sort of happens every day in Silicon Valley and I think this is a good place to stop. And we put some primer questions up there for discussion. And we're available for questions.

>> Rose Herrera: Thank you very much Scott for a very illuminating report. In terms of jobs I know 25,000 is the stake in the sand that we're working to get to and you talked about 4,350 jobs created in San José, is that in San José?

>> Yes.

>> Rose Herrera: So where do you see the sweet spot or where do you see us focusing to get the other -- the rest of those jobs, the other 20,000 or so?

>> Yeah, I think the sweet spot we're -- I think there's a well established solar cluster here. I think that's pretty clear. And I think that advance building energy efficiency we'll call that a category and how those technologies network up is going to be very, very important. We have some backbone companies very interested in that space in Cisco and echelon, but we have also very, very companies sort of driving to the marketplace on next generation lighting LED technologies, that software package you saw which gives you granular views inside a building where you can sort of create behavioral changes based on the information you're getting and the more advanced packages of these software allow for you automated -- it's called automated continuous commissioning, like commission a building the way you might tune a car. So those are two spaces and would I say storage, there's been a lot of investment in storage in Silicon Valley over the last two years. So those would be areas that I would highlight.

>> Rose Herrera: Can you go into storage more? You talk a little bit more about what I would orally call storage.

>> Data storage. Battery storage.

>> Rose Herrera: Any kind of storage, great. And I had one more -- I'll turn to my colleagues. Do you have questions? Anybody have a question? Okay.

>> Sam Liccardo: I have one.

>> Rose Herrera: Go ahead, Councilmember Liccardo.

>> Sam Liccardo: Scott, excellent presentation, thank you very much. I know that RDA has been very heavily involved in capital equipment acquisition, and we thank Redevelopment Agency for all their great work on that. And I think this is really a question more for the gentlemen to your left. And as we look at the future we understand that funding's very limited and may not be a significant part of our economic strategy going forward. And I guess I'm wondering, to what extent we think it's really likely to make a big difference in terms of our ability to attract companies that you know, the impression I got when I was listening to Mike Claco of Brocade, he's been speaking publicly or other CEOs whenever he talked about assistance, the assistance has been around the people much more than the dollars. The ability to get into STI or the ability to be sort of shepherded through the process to get up to speed quickly, and I don't often hear them talking about the money and maybe that's because it's not a great PR thing to be throwing out the money. But I'm wondering does it really, do we expect that to hinder us that much in terms of being able to attract many of these companies? Sort of an open question for anybody that wants to respond. The fact that the funding may not be available.

>> Richard Keith from the redevelopment. Over what I can say is if you've looked at the last 14 companies that we funded, agency funded in part and sometimes with the city, six have been solar companies, a couple of storage companies. In fact, to point to Councilmember Oliverio's question, of really looking at existing limited funds we have available, two of the three companies are solar companies that we are looking at their data, and to see if they're worthwhile funding. So I think and maybe Don can answer this because he's certainly the contact person with so many clean tech firms, the larger companies, it is -- it is the goodwill and the interpersonal relationships and the facilitation that Scott mentioned is so critical. On some of the smaller companies it can I think make very much difference. Unfortunately we have had 13 solar companies that have approached Don and myself that are looking for funding that we know we won't have the resources to fund with the limited dollars we have available. In the next year and in the next several years if we're in existence. So I think it's a matter of scale on the company.

>> Good afternoon, everyone, Don Bruce here from the Redevelopment Agency. I will highlight the things a little bit more about what Richard just mentioned. It is really a two pronged approach. For the companies we have worked with in the last six to seven years, many of them have been mid stage to late stage startups. That is important to us to a degree because it allows us to have that immediate job growth. These are companies that are moving from an R&D position into a commercial production, as far as commercial production is concerned. So for those type of companies, yes, our financial incentives are very key to them being able to make that next transition. If you talk with many of the companies in the startup world you know there is the valley of death that they refer to but as we've gone further into creating this new industry there are actually two valleys of death. Once you have a product to get to market how do you have the funds to commercialize that product. That's the second valley of death now that startup companies have to address. The second approach you mentioned Brocade. When we work with the larger companies it is really more about facilitation, it's about what the work that we do and Scott and Nancy do to help the companies acquire space and get through our permitting process. So often our dollars aren't important to them, it truly is facilitation. A great example of that is Hospira, who just recently moved into the Edenvale technology park. They are a multibillion dollar company. They almost laughed at the thought of us providing any type of incentive. They point blank said, we don't need your money, we need your help. So long and short of it is, I do believe there will be some opportunities we'll miss out on because we don't have the funds to be able to help those companies make that next transition.

>> Sam Liccardo: Those are for the smaller companies that are ready to commercialize.

>> Correct.

>> Sam Liccardo: Okay.

>> I just want to add to that. I think we need to be really sober about our approach that Brocade, though Mr. Clacom may not mention it but the \$4 million that are coming from equipment purchase was not a small point to the company. And so we need to be able to look and realize that we tend to be because we're further down the peninsula, what we're associated with in terms of we're still becoming emerging as a cool hip place and so we

struggle with being the entity that they look at after they've looked at the peninsula. So I would argue that it's a matter of timing. If we want to be considered ahead of some of those locations part of that is dangling some incentives in front of them. But I think that the council obviously is under very tough budget constraints. But where available we have put those incentive dollars to very good use and would like to advocate that we consider continue to be able to do that wherever possible.

>> Sam Liccardo: I appreciate all the response. What Richard said about scale is interesting as well because I look at a company like Brocade and it's a \$2.5 billion company and you think what does \$4 million -- it seems like a rounding error to them -- matter about their location? Obviously, it seemed to. And you know, I sense that certainly we are all people, and emotions have something to do with it too, I would imagine. It's surprising that a large company would care or a medium size company would care as much as they care about getting this done quickly.

>> Just a quick comment councilmember. From Tom Warner to Mike Claco, they will tell you that more CEOs lose their jobs over placements, over new facilities, that for most other reasons. And so when you're on the line for what you're expending you want to look as smart as possible. And so what you've gotten in terms of he every penny that you can that you haven't left something on the table that's what they'll say they need to be able to talk to their shareholders.

>> Sam Liccardo: Okay, I can understand that, perhaps it doesn't show in the stock price, but it's perhaps something you present to the stockholders. This question comes from sort much back in the '90s when I was in school, '80s and 90s, don't clarify that. The conventional wisdom is these kinds of incentives don't have a significant impact on the decisions of major corporations in terms of where they decide to go. The monetary incentives don't matter nearly as much as the other things we've been discussing. I'm always interested in understanding whether that is still the are case and it sounds as though scale really does matter for certain of these companies.

>> Definitely.

>> Sam Liccardo: Thank you.

>> Rose Herrera: Other questions? Pierluigi? Oh, okay. I'm just reminded of some of the companies that we had brought in recently, maxim where the incentives really played a role. Given our current economy, everybody's counting dollars, pennys, everything. Really appreciate, appreciate this report. I don't think we have anybody to speak on this so we need a -- do I hear a motion to accept the report?

>> Sam Liccardo: So moved.

>> Second.

>> Rose Herrera: All those in favor, opposed, motion carries. Okay. And now I have Joe Horwedel is going to present the habitat? Am I right on that? We hear about the habitat conservation plan. Again, we heard a few times about habitat conservation plan.

>> Joe Horwedel: Thank you, Madam Chair. Darryl Boyd is actually going to be doing the presentation on the habitat plan, and then also in the audience is Ken Schreiber, who is a consultant to staff, really an employee working for us as the consortium working on the habitat conservation plan. We're going to start with a little bit of a reminder about what we're up to and this is kind of a prequell to the study session we have with the city council about the habitat plan and some -- kind of in between some outreach we've done. Darryl, are you ready to roll?

>> Thank you Joe. Again Darryl Boyd, Planning, Building, and Code Enforcement. This is not a new topic to this group and we did provide you with a memo that tries to capture the background and the history, we won't try to regurgitate all of that at this point.

>> Rose Herrera: Thank you.

>> Right now we do have a few slides. Just by way of reminder the study and the permit area for the habitat conservation plan is about 520,000 acres or so, includes all of the City of San José, with the exception of the most northerly part of the city that being the area generally north of 237. We had excluded that consciously early on because we didn't want to really fight a war on two fronts so to speak. Because the suite of species along the bay land is a different set of issues, different kettle of fish, no pun intended. And so the plan's really dealing with the upland species, and there is already efforts on the way with the salt pond projects and so forth. But essentially it covers the entire city of San José. Our partners are the VTA, the Water District, cities of Morgan Hill and Gilroy as well as Santa Clara County. Those are the six local partners. Oh, there we go, all right. So where we are in the process is -- I need to back up one -- yeah -- so where we are in the process is that we are in the formal draft public review and comment period. So right now on the street we have three documents. There's the draft plan itself, the habitat plan. There's a draft EIR EIS, and then there is the draft implementing agreement. And as we indicated in the staff report, the implementing agreement is really the contract that we would, should the plan be approved that's the contract we would enter into with U.S. fish and wildlife service and state fish and game. Those three documents together are about 2,000 pages and I didn't bring the stack of paper over because I wasn't feeling very strong this afternoon but it's a pretty big pile of paper. The plan is really, we're the applicants, the local partners are the applicant so the plan is really our document. In this particular case the U.S. fish and wildlife service is the lead agency for the EIR and the EIS. The plan has been documents have been on the street since before the holidays. Comments are due April 18th and that's like a 120 day review period. We've been outreaching. There were two formal community meetings earlier in February. We did go to the chamber on the 17th and had a good turnout there, lots of broad based representation. Some pretty good discussion. On the 17th we did a joint study session with parks and rec and Planning Commission. Last week we had the developers round table on Friday morning, basically it was roast Darryl for an hour but nothing personal obviously but we had a pretty good discussion Friday morning and most importantly for all of you is we do have Thursday afternoon reserved to do a study session with the full council at 1:30 and in the handout we do have some, I guess primer questions that we'll use Thursday afternoon. This is trying to capture some of the questions or comments, taking the comments that we've received and converting them into questions. So we're trying to hopefully get some of that feedback from you all today in terms of procuring for Thursday how we can best make use of that time for your sake. During the month of March we'll be compiling the city's comments and then in mid -- in the summer,

mid this year, the final plan and final documents will be prepared. There will need to be an implementing entity at this point, it's proposed to be a joint powers authority that would be -- would need to be start to be formulated in order to adopt the plan. With the adoption and consideration of the plan fall of this year. Agencies listed are approving the permits, to take permits authorization later this year with implementation say summer of 2012. All things being equal. I just need to check and see where we're at, with regard to the handout. The handout is a little bit different because we added a couple of slides Madam Chair, what we handed to you it's got information with regard to fees and things that we can come back to. Here is a list of questions, comments that we've converted into questions. There is more that we will add. I think probably a couple of the ones to really high are one question that we've gotten a lot from the development community is would the adoption of this plan put the city at potentially a competitive advantage. So that's a question that we really need to tease through with you all on Thursday afternoon. And the balance of that is the certainty, this would be a 50-year permit. Is the certainty and the cost worth it? Because again, the cost of the plan is over \$900 million over 50 years and about 18 or \$19 million a year to implement the plan. So are the tradeoffs worth it, what are the tradeoffs? This is, actually this is an earlier -- no this is the right version. We did some case studies that we have been using and we'll develop some more for Thursday afternoon. Not to go into a lot of detail on this, Madam Chair, but basically this is the Duckett Way project. We wanted to take riparian issues, run it through what the plan would start to -- what would look like with the habitat plan. And it still needs a little -- this example needs a little work. Actually the version that's in your packet is a more current one I see. We need to get more dollars from Swenson, but this is a tease they're we want to do case studies for Thursday. Here is an example for Morgan Hill, where using the plan would cost the developer more with the HCP than without it. We want to do a fair assessment of these case studies. This was a commercial building in Morgan Hill. This is a different example. In Gilroy. This is the case where if the habitat plan were in place it would actually make a huge difference in the cost of the project and save them potentially lots of money with the uncertainty and biological surveys and so forth that might be required. So again we'll work up case studies for Thursday afternoon for this study session. For comments, formal comments should be submitted on the plan to either Ken Schreiber and then Cory Muston at the U.S. Fish and Wildlife Service because the service is the lead agency for environment review purposes. Formal comments on the EIR EIS need to go to them. So I think I'll stop there Madam Chair, and take questions.

>> Rose Herrera: Okay, let's see if we have some questions from my colleagues. Councilmember Councilmember Liccardo.

>> Sam Liccardo: Madam Chair, I'm sure you thought plenty hard about this question. But as we look at 2012, individual cities actually had to adopt ordinances and we look at where the fees are hitting particularly in zone B. And I guess natural lands in zone A, I don't see a lot of development happening there. I'm guessing zone B is going to be where a lot of the action is. I'm looking at jurisdictions like Morgan Hill and Gilroy and wondering are they really going to have council majorities that are going to approve these fees knowing what we're looking at. What happens if they don't?

>> And that's a really great question and the study session on Thursday, we will have, expect to have Ken goody from U.S. fish and wildlife service and Scott Wilson from U.S. fish and game to help us answer those kinds of what-if questions. I think at this point what we as staff can say though is that I think there is a lot of uncertainty as to whether or not the plan will be adopted, just because it does carry some -- it's a fairly you know hefty sticker price. Most of the direct impacts for biology will be Morgan Hill, Gilroy and the county. The city doesn't have because of our urban growth boundary so forth we don't have a lot of direct impacts so consequently the vehicle emissions fee or what we've previous called the nitrogen deposition fee is going to be quite a topic I would wager on Thursday, because that is one way that the City of San José's development projects would make a contribution towards the implementation of the plan. If the plan isn't adopted, by any of the local partners, basically it is kind of start up and do over. Because everything to this point is structured on an all six local partners going forward. Because you -- one of the interesting things about the plan is that the agencies, in order for them to make their findings, partly in exchange for this 50 years of assurances that they are kind of giving up, if you will, need to make sure that the plan is financially feasible. And so all the assumptions to date are with all six local partners in and if somebody is not participating that starts to unravel. A couple of other considerations I think one is that all this biological information is on the public record. So to what extent would the agencies use that anyway, so even without the plan. And then I think those projects that might get caught or would be subject to endangered species projects by the state or the feds would probably get run through the ringer I would guess. Not that there would be retribution necessarily, but I would think they would put the screws to projects that they go

through and again it is important to remind everybody that this is for public and private projects so we want to have some public project examples for the study session on Thursday, Joe and I were talking about that this morning.

>> Sam Liccardo: Knowing obviously the state is involved, it is an important part of our message to communicate developers are going to pay one way or the other. You need to schedule a very long vacation in 2012, Darryl because you're going to need it to relieve yourself of the tension from developing this plan.

>> Joe Horwedel: One thing that's important to remember is Morgan Hill and Gilroy came into this process late. They were not a part of the merry band of partners creating the plan. But they volunteered doing this because fish and wildlife service basically said that they were not going to get permits for doing development without playing. And it's why VTA, the county, the city and the Water District started this as we had similar declarations made. And it's one that is a part of the discussion on Thursday about you know, we do have the ability, any one of the partners, to pull out of it and say no, we're not going to adopt it, we don't think it makes sense. But then, going by ourselves, we kind of have to do the calculus of what are the consequences as we try to do other things. And it's probably not the small developer that's going to feel the consequence of this, at least initially, it's going to be more the large projects that are moving through that have wet land taking permit issues or anything that's got federal money and that's more where we the city get hit up is when we're trying to do things that in the past it's been the recycled water project as we've gone and asked for grants to build that system, we had the battle of fish and wildlife service every time about nitrogen impacts to burrowing owls and this goes back ten years. So freeway dollars, BART dollars, airport dollars, you know, the treatment plant upgrade if we're looking for federal dollars for the upgrades there, all of those things, anything that can be tied to having growth in the valley that supports our general plan, fish and wildlife service has put in as part of their assessment has impacts to the bay checker spot butterfly and therefore they made findings of jeopardy, which required -- essentially said they were not going to sign off on it. So that is I think going to be the really challenging point, how we balance that kind of risk assessment with this cost.

>> Rose Herrera: Any further -- Councilmember Kalra who could deliver this bill reason.

>> Ash Kalra: I couldn't, certainly not as well as Darryl. And I haven't put nearly as much time or energy or effort as the planning staff has. But I think Joe makes a good point that these jurisdictions we may have concern about because the impacts on them being at the table and they've been at the table somewhat having their hand forced to be there. But I think that ultimately, the development community does have to understand that there could be some ease to the development process with this in place. Particularly with some of the state agencies, and particularly in some of the areas that you referred to, that are going to have a greater likelihood of development along this in south county. We have had good representation, Don Gage was there for many years and very much a part of it and certainly as concerned about anybody about the likelihood of the stifling development but because he was there and others as far as at the staff level have been there, I think that a lot of these concerns have been somewhat addressed. But I think that it will be important for the entire council to have an opportunity to raise their concerns and learn more about it on Thursday. But you know it has really been many, many years where this has been a process where we're getting I guess close to the end now after you know after years of this going forward. But I think that that's been beneficial because it really has allowed some of the jurisdictions that had more -- some of the greater concern initially to be part of setting up the implementation and what the fees are going to be and what have you and they've had a chance to talk to their development community in their way. But it's something the developer community is probably going to be against just on principle but practically speaking I don't know if it has any negative impact at all, and may even have a positive impact depending on what type of development they're doing and where they're doing it.

>> Rose Herrera: Any other questions? Councilmember Oliverio.

>> Councilmember Oliverio: Thank you chair. Joe, Darryl, so is every city in the United States that has an urban growth boundary that has next to some type of endangered species do they have these plans in place?

>> Joe Horwedel: No. It is I think a trend that is happening. In a lot of parts of the country, they've been further in front of this. I think Northern California is now taking off really and at the time we were starting up on this a number of other counties were working on habitat conservation plans. But I think the one thing that's really

different with ours than a lot of other of the plans is that usually these are done because of direct impact, and so if you think of San Diego County, City of San Diego, the amount of growth and sprawl that has gone down on there, they did a habitat conservation plan about ten years ago to address that. Around Sacramento County, the development you see occurring out by Roseville Lincoln area has been triggering habitat conservation land. East Contra Costa County, the growth has gone in Antioch Brentwood that trigger a habitat conservation plan. In Santa Clara County, as Darryl said, the impacts that we're seeing here in San José are very different. It's the indirect impacts from air quality to the butterfly. When we started this process everybody believed that San José was kind of the bad ones that we were doing all of this development that was going to be killing the species. But as we went through this analysis over the last five years, it's been shown that actually most of that is happening in the other cities in the county from the development that goes on that people really weren't aware of. But when you look at it cumulatively it is a tremendous amount. But as it relates to you know, are we out in the front edge of this, I would say no, other than just the air quality piece I think that is the new territory that we'll be hearing from the home building industry on Thursday. We've spent a lot of time talking with them about it because there is some precedent nature with that that we should be very mindful of that, very cautious about how we move forward on that.

>> Councilmember Oliverio: So I think you spoke to that there's carrots, right, that if we want to build public works projects, and they come with federal money, then we may not be eligible for those moneys and that's a loss not having to send?

>> Joe Horwedel: Or that you have a very long process to go through the federal environmental process and get fish and wildlife to sign off on it which they're required to do.

>> Councilmember Oliverio: But in a way it's sort of against what they want anyway. Give you an example my assumption, the federal government wants people to be employed and construction projects to happen. They want improvement at the water pollution control plant. If they would like to have their name in the press that the only reason we're not moving forward is because the federal Government is not approving it, I think we win that argument over time?

>> Joe Horwedel: Over time is the operative word to that. We have tried that strategy in the past, you know, certainly not in the midst of the recession that we are coming out of I think would change that dynamic. But we've literally gone back to meet with -- had -- gone back to meet with the heads of the Department of Interior to talk about do you really want to go and stifle recycled water? You know at the same time same department was involved in it. But it's just you have different missions with different branches of the federal government.

>> Councilmember Oliverio: Yeah and my assumption is that if the council and the market had gone forward with Coyote that would have required a habitat plan?

>> Joe Horwedel: Again that was part of the early thought that there was this great impact, and Coyote was a lot of our discussion, should it be in or out of the habitat plan. Darryl again did not find a lot of direct habitat impacts. There's some issues that we're dealing with on wildlife corridors that came out of the Coyote process but most of that land is agricultural land, it is already nonhabitat land. So we weren't building in wetlands, we were actually improving the riparian areas. We were doing a lot of things that, you know, the habitat plan would be trying to do. So it was kind of a disconnect.

>> Councilmember Oliverio: I think Darryl I know you do outstanding work but I'm happy your work never went anywhere to no building of Coyote.

>> You're not alone.

>> Councilmember Oliverio: I think to the benefit of the city. Then I wrote something here. What if we went it alone? You know we don't want the jointly powers board we just want to be San José and we'll do our thing and we'll set our rates, sounds like you know you have levels of difficulty or regulation that you could put in the habitat plan, let's say 10 is like really onerous and 1 is like next to nothing, then the city could judge how hard it wants to make its plan and could change that plan by making the assumption should there be a real need to do something unique presented before the council so I guess give you some tradeoffs versus going alone?

>> One thing that comes to minds is there's a certain amount of leverage that we have with the six local partners. By way of example East Contra Costa habitat conservation plan has been up and running for the last two years. By having the plan up and running it would make us eligible for federal and state grant funding that we otherwise wouldn't be eligible for. Will that be available in the future? East Contra Costa they've received \$40 million in federal and state grant funding to use for acquisition and management of open space lands. So there's some benefits along those lines that by all of us going together, we're able to create a better reserve system if you will. Because really what this is really is a programmatic mitigation document, that's really what this is. And so there's just the -- those kinds of advantages from having all six of us together and sort of pooling the mitigation requirements from all of these impacts. I mean that's -- Joe jump in here.

>> Joe Horwedel: The other thing I would say is what we saw when we were dealing with the Coyote Cisco project the Metcalf power project was going in at the same time, the 101 widening project all of those had impacts on the bay checker spot butterfly so the issue of nitrogen emissions landing on the soil. What we saw was four or five different standards of what was quote, mitigation. It was what the agency, fish and wildlife service could negotiate with each of those parties and what each of those parties was willing to walk away from. So they kind of walked them up to the edge and that became the standard for that project. There was no real science behind it and so the concern that we had as staff is that we're off negotiating things that whatever the last person through that was most willing to give away, in exchange for getting their project, became the new standard for the next project. And whether that next project was a private development project or a Public Works project it set consequence there. And one of the advantages was getting away from that negotiated standard that you know I think if you were to match it up and extrapolate it for what we're doing at the plant, we're doing actually less as a product because we're putting a more comprehensive strategy together as opposed to doing it on a one off basis. It's always more expensive to do it on a one off basis if you're one of the ones caught that has to do that. That is one of the benefits I would say to the council and the development community, is you have certainty. What walties hear is that certainty is important. The mental calculus about cost and certainty and how do you value those? What's more important and then at the end of the day, as Councilmember Liccardo says, in 2012, we're going to -- each of the local partners is going to have to make a decision about certainty and cost. Are

you interested in a 50-year agreement that brings you certainty for that time but recognizing that there is an ongoing cost to that. You know, how do we do that? And as you've heard us say we're very clear that that can't be General Funded. It is something that's got to exist really on the development side, whether it's public or private project it has to be done on that side of the ledger.

>> Councilmember Oliverio: I think I'll be done with my last question here. Since you've studied other plans locally and state of California. Some being very stringent and others being lax, where do you think San José is coming in, in your view?

>> I think we're in the middle I think based on what I understand and have heard others say, I think we're kind of in the middle. This is if I understand correctly, we're getting a pretty -- we're getting a large amount of conservation preserve area for sort of moderate cost, if you will, we're certainly not the most expensive plan, but I think on a per-acre basis we're actually better off than some of the other plans are that way.

>> Joe Horwedel: I think that would be a good question for Thursday, when we have the resource agencies and the consultant to give the East Contra Costa plan is doing our plan, so that is something that I think would be part of a good conversation. Are we the Cadillac plan or the Buick plan or the Nova plan.

>> Councilmember Oliverio: Thank you.

>> Rose Herrera: I had a question, too. So Joe, in terms of benefits, it sounds like definitely the city would benefit just in terms of the federal money we receive. And do we get more benefit than a private sector from this than developers, how would you proportion that?

>> Joe Horwedel: I would characterize the benefits that the city receives as benefits to the private sector, also. Because to the extent that the city is not able to expand our treatment plant or that we suffer problems that we had in the early '80s with it, we stopped development that to the extent that we cannot attract or utilize federal dollars to go through and do the interchange at Stevens Creek or valley fair for example because we just can't get

through the federal process, we suffer economically and development projects get held up. So I think there's the direct and indirect, to the extent I don't have federal dollars available to do projects, the city's got to go look and the VTA has got to go look for those dollars by either sales tax steppingstones or developer fees. One way or the other, I would see those dollars ultimately would benefit or link back to development projects.

>> Maybe a slightly different way to say it would be, this would help the city, facilitate the city's implementation of our general plan. That's really part of why we came into this is we wanted to be able to complement our general plan so I think that may be another way to say what Joe was saying is it would help us do that in the long run.

>> Joe Horwedel: Well the one last -- the other piece I was going to put and it's a comment that comes up regularly and I'm sure we'll talk about on Thursday is why doesn't Milpitas or Santa Clara participate in this and does this put us at an economic disadvantage to them? And I would say that you know, that is an important consideration. We deliberately did not bring those agencies in because they didn't have the resource agencies putting that mandate on them at the time. But part of the conversation with the resource agencies at this point I think needs to be, so we're poised to move forward with the plan for the south end of the county. What are you doing as a part of reviewing applications coming through in Mountain View and Sunnyvale and Palo Alto that have air quality impacts that would be equal what's going on down in the South Bay, at minimum getting the \$8 a trip to go through and pay for you know protecting the butterfly habitat just like we will be doing? So I think there's some more stuff that we need to keep working forward between now and 2012 that equalize some of that. And certainly one of the things that we'll want to talk about is, are there -- if that part isn't happening are there things that we do that maybe neutralize or knee gate that piece of the increase, because that is kind of a level playing field type conversation, as opposed to somebody who wants to build in the riparian area. That's really you know a property owner or developer is making a business decision about how much they can build and whether they can get away with that or not.

>> Rose Herrera: So you're saying there may be a way to equalize it with the air quality standards so we are not going to be at a competitive disadvantage to the north bay?

>> Joe Horwedel: We make a decision to fund that differently, how that's structured, that is something we spent a lot of time with the partners about. While it is important from fairness about how we pay for all the cost of this plan, it may not be word the brain damage at the end of the day for the couple million dollars that come out of it.

>> It's like 18 million?

>> It's like 18 million there.

>> Joe Horwedel: Yeah, couple million. The 18 million out of a, you know, half billion dollar plan is it's a real small percentage and the real priority should be on direct impact.

>> Rose Herrera: Just looking at the three slides you guys have here the infill project from San José the Morgan Hill one and the Gilroy one and it looked like where the savings were really appearing, the HCP process where we have now is where you have the endangered species, in terms of the Gilroy one you have couple million dollars difference. But when you are looking at where it's the vehicle, where it's the air quality it's the other way around so it's significantly more. So anyway yeah, I'm looking forward to the study session and I guess at the end of the day, and I know you had the time line in here, what's council -- council's going to need to vote on this at the same time we find out whether Gilroy and the others are going to participate? How does that or who takes the first step, we all join hands and jump together or how does that work?

>> Joe Horwedel: That is one of the things that the liaison group will need to be working through over the next couple of is I would envision if there's going to be like a month that will get set aside. And says, in this month each of the authorities will go through and take final action. But I would imagine that each of those authorities are going to have prevotes, kind of walking through just like we're doing on the study session on Thursday, the other agencies and authorities have been having similar conversations about how this plan fits you know, how do they feel about it? What are their concerns with it? Because we are the applicant, you know, so it is a different world where we are the applicant and fish and wildlife is the decision maker about whether they're going to approve it or not.

>> Rose Herrera: Councilmember Liccardo.

>> Sam Liccardo: Just had a couple of questions. We look at the 30,000 foot level, we see for a significant portion of I believe it's area C, I'm sorry, I think it would be zone -- the zone far to the north which I think is C and a good portion of A that really we're looking at nitrogen disposition that results from vehicle trips, and of course we're putting the fees on development. And to the extent the developers complain, I think it's appropriate for us to redirect their complaints to the state legislature, who should be imposing this fee on gas stations frankly, and gasoline, if vehicle trips are causing the nitrogen disposition. And so this is really a reflection of I think a failure for us to internalize the environmental impacts of automobiles. We ought to be doing something more sensible along those lines and you know I think we ought to try to marshal the energies of the development communities in the same direction as our MTC and VTA and everything is going which is we need a sensible fee on gasoline.

>> Joe Horwedel: We are trying to work within the confines of prop 26, that made that more difficult about how we do these types of mitigation to fees.

>> Rose Herrera: When we get going towards 50 years when this is in place when we finally move to some other kind of automobile, I imagine there is some way for this to change in terms of vehicle impact fees, right, in this plan?

>> Joe Horwedel: We have had discussions about that as we go to more electric vehicles or less fuel that has nitrogen to it. But it's also -- we have worked really hard to make sure that the trip fees are not paying for the existing trips on the system, they're not paying for the emissions coming from out of the plant area, so whether it's Milpitas or Richmond or Beijing, that all of those put nitrogen in the air and land on this property. So they've spent a lot of time parsing that down, so it's only dealing with what's coming out of the plan area.

>> Rose Herrera: Great. Any other questions? Do we have a motion to accept the report?

>> Sam Liccardo: Motion to accept.

>> Second.

>> Rose Herrera: Okay and before we vote on it we have someone to speak. David Wall.

>> David Wall: 50 years from now there will be a lot of longer beards that I see today. I'd like to thank our director of Planning, Building, and Code Enforcement. He's done an amazing job considering the insanity of having to do this to begin with. Ladies and gentlemen, this is -- this is really bad. San José cannot -- in other words, cities have to come to the final conclusion, that citizens have to be brought into this as a vote. Not just city councils, voting on a 50-year plan that's \$900-something million. This is ridiculous. This gets to the point that there's only so many people per geographic area that can exist. In other words, you can't just keep building and this has to stop. I love the lord's creatures probably more than anybody in this room. I don't see anything about honey bees and their protection. But we see nothing about two of our learned councilmembers, at the airport the other day. What about all the stuff coming out of those airplane engines, all right? Councilmember Liccardo is on point about gas. I would suggest that you defer this. You don't have the money for -- to tie up code enforcement, with this type of program next year or the year after. Just start all over because Gilroy Morgan Hill they're not going to buy into this. Santa Clara laughing all the way to the bank, Milpitas laughing. No. It's one thing to be environmentally sound and conscious and I applaud the you but this is really bad. Citizens should be able to vote on this whether they want to go forward for a 50-year plan. That's incredible. But I do give great kudos to our director of PBCE. It's amazing how the environmental services department escaped from this since most of their stuff is involved with this. You should be given funding for 513 for having to do this. Please get rid of this thing.

>> Rose Herrera: We have a motion on the floor to accept this report. All those in favor? Opposed? Motion passes. Now we're going to hear from Leslye Corsiglia on housing. Housing market overview.

>> And Kristin Clemons.

>> Rose Herrera: And Kristin Clemons.

>> Leslye Corsiglia: Thank you, Leslye Corsiglia director of housing. And Kristin Clemons is going to do the production. I'm just going to introduce a little bit and then I'm going to add the end raise a couple of questions that we're working with. But we wanted to have a chance to go over with you what's happening now in the housing market. We'll be coming to council fairly soon with the annual consolidated plan which we do each year in the spring. Which talks about the housing market and how are we going to meet them. I think this year is good to be one of the more challenging years going ahead and we'll talk a bit about that and I'll tee it up for Kristin and then come back.

>> Thanks Leslye. We wanted to come forward and bring you some housing data, just a snapshot of where the market now sits. And then talk a little bit about challenges going forward. This is an ownership map of what housing prices have done. Y'all I'm sure are familiar with the quick rise in housing prices. And then the rapid decline. And it reached the depths of the market in early '09, and the boxed area at the right talks about or points out the fact that we went back up to levels at a single family at \$550,000 a unit median housing price but it's back down a little bit again. The January 2011 data says that housing prices are now at 492,250. Likewise, the condos and town homes line below it peaked at \$300,000 and the current number is at \$251,000. So this is pointing out the volatility of the market historically and that the affection were probably supported last year due to the federal home buyer tax credit which ended in mid 2010 so it probably was spurring the increases in prices. Overall days on the market in 2010 increased quite a bit. 33% increase in the number of days on the market. So resale homes are sitting there for longer and -- but in Santa Clara County we were lucky enough to have a little bit of an increase in the volume of sales, up 5.4% January to January. There have been a lot of housing market discussions in the papers recently. In the Merc on the 17th, really focused on how important that the dominance of cash investors has been in the housing market. The really active piece of the for sale market at this point seems to be in the lower end where folks are coming in on distress sales with all cash. And really, driving prices down a bit in the last few months. So things look mixed going forward. Forbes magazine recently identified San José as the number one housing market in terms of the projected appreciation in values for 2011. We'll see what cash does to the market versus that projection. Y'all have gotten updates on the foreclosure markets and volumes

over time. Here is a quick look of where we are right now. I think you know but I'll go back over the blue part of the bar chart. The notice of defaults, occurs when folks are 90 days behind on their payments. The cream color is those units that are getting sold off at auction and then the purple is what is Real Estate owned on that the banks already own. So you can see that 2010 had a slow down from 2009 in terms of the number of negotiation. But there's still a significant number of filings obviously and in 2010 you may remember that banks had slowed down. Therefore, foreclosures because there was a moratorium for a bit, so national banks like B of A had briefly halted due to the row bow signing scandal last year we think that contributes to the fall off in the 2010 numbers. However, it's clear that homeowners are still failing behind on their payments. We don't think that the lower number of filings means that the market has really gotten better for folks, especially because unemployment has persisted. Early 1011 data has shown that the foreclosures are picking up again now that the hiatus is off. And news reports keep referring to the shadow inventory of units that banks are not releasing all of their units onto the market at the same time because they don't want to depress values they want to maximize resales. If rates continue to go up in 2011 as is widely anticipated interest rates we'll probably see another increase in foreclosures as it will be more difficult for folks to pay their adjustable rates. This chart illustrates what we all know, that houses in San José have been expensive. Although it's really common conception that we pay more for houses but you know we also make more here so it's kind of a wash. The top line here shows -- compares the housing values in San José and what they have done over time and the bottom red line looks at where our incomes have been. So you can see that the housing bubble there was not a -- not a result of incomes rising and that the housing burden for families is much higher here than overall throughout the country. We think that the for sale market again going forward is going to continue to be depressed and that the affordability burden will continue to be difficult because of this investor competition for the low end of the market because families are not particularly going to buy if their economic future is uncertain. And especially because banks have tightened their credit, their credit requirements over the last year. So for instance condo buildings that are less than 50% sold it's hard to get your mortgage closed even if you've been preapproved or approved, they won't allow you to close on the unit in time. There are also increased requirements for cash being brought to the table and the importance of credit scores being high. This is so -- this slide's pointing out the lack of affordability that continues to persist in the for sale market despite the presence of foreclosed homes. The median priced home is out of reach for more than 50% of our households. If you take a sales price of \$485,000, you assume a 6% rate, and

even assuming someone could put 20% down, which is almost \$100,000, you still have to make over \$84,000 a year to afford the home. And our median income is just over \$78,000. This is another way to show the last slide. This is a ratio of incomes, of housing values to incomes. And you can see with the circled numbers is that the ratio is still quite high even you know prebust. It wasn't even as high as this. So this affordability problem continues and actually looks like it's getting worse. I'll also say that in terms of starts, for for sale units the lack of uncertainty of people being able to buy homes is showing in the lack of ability for home builders even if they wanted to go ahead and get financing to start new projects. Not only is the demand uncertain and the economy uncertain but reportedly their ability to get good lines of credit and keep them and use them has still not rebounded. Turning over to the rental side, you notice that the steepness of the curve is nowhere near the steepness of the curve for the for sale side. Rents have continued to be strong, or the rental markets continue to be strong, and now are even looking close to their dot-com highs. The vacancy rate is four and a half percent so anything less than 5% indicates that the market is more tight than one would like. Some of this is due to the presence of families who have gone through foreclosure in their homes coming over to the rental market. So this is part of the story why rents are going up and vacancy rates are going down. It's a bigger supply of those who are renting. According to real facts, which is our data source for the fourth quarter, current rents for a 3-2, \$2055. Now, real facts reports on all buildings 50 units or more, classes A B and C, so you get a whole range, just not the small mom and pop properties. The 2-2 rent is \$1747, a 1-1 is going for 1348, studios are going for just over 1000, \$1063. We are looking as to a lot of the activity going forward may be in North San Jose. In November last year the city council approved a change to the requirements and locking in some certainty for those large developers that wanted to go forward and build rental in North San José. So I was able to get some data as to what the rents are that they have pro formad, which of course changes as the market changes. But the 3-2 rents, and say they come on line in about 20 months from now, 24 months from now, 30 months, is over \$2900 for a 3-2 rent. The 2-2's had a range of 1865 to \$2700. 1-1 was going to rent for 2100. This is a few pieces of data, it's not a great sample, but it gives you some idea where rents are headed, which is up. Studios will be renting at just over \$1000. It is about \$2 per square foot and you know, they may have another bathroom instead of a 2-1, like an affordable project would be, have a 2-2 with another bathroom, and of course finishes would be nicer. The differences in comparison between restricted affordable rents and these market rate rents going forward is really significant. I compared the North Fourth Street project that First Community Housing is developing, and their rent

per square foot is about half of what the market rate guys were going to charge in North San José. The 3-2 was \$630 to \$1390 as compared to almost \$3,000 for instance. So you can tell just from the rents alone that the presence of restricted affordable is a different part of the market and very much needed. Here's an example of whether we think there is an affordability gap for the rents, and these are the same rents that you saw on the last page. This is roughly the required income the household would have to make in order to afford these rents paying no more than 30% of their income. The bullets down below are facts from the national income housing coalition who every year looks at what the HUD fair market value is fair market rent is in each market and then looks at how much you would have to make if you were a low income wage earner in order to just afford apartments. I think the first statistic is the most sad and impressive if you are making minimum wage you would have to work 99 hours a week just to afford a studio at fair market rent. Rents in our area have increased over 10% in the last four years. And the Wall Street journal at the end of January said we are one of the top three metro areas that are going to see the biggest increase in rent in 2011. This is a quick look at permit data. You can see the data is a little bit lumpy and spikey from year to year. We show this just to demonstrate that the multifamily permits are routinely there are more units going forward that are multifamily rather than single family since 1998. And that we've issued 59,460 units since -- permits since 1990, two-thirds of them being multifamily, one-third being single family. And so as the population ages a bit, the demand for multifamily is going to increase, and the urbanized preferences of the younger folks that are going to increase in demographics also going to prefer probably more dense projects. So you can see that we're going in the right direction in terms of type of product. But I also wanted to point out that especially in the down years the percentage of units that were affordable restricted multifamily that we had subsidized are significant portion of the permits pulled in the low year in 2009, we were like two-thirds of what was going forward. If you look at 2007 to 10, 26% of them were the units that we are subsidizing. So we've been really helping to create the rental market in the last couple of years, even though we're falling far behind the need, which Leslye can talk about.

>> Sam Liccardo: Ask a quick question. This is about building permits issued, not actually under construction, is it?

>> Correct. Usually developers don't pull until they're ready to start, because they are expensive. These are permits pulled. So again in November 2010, the action that the city council took in terms of trying to speed the developers in North San José has been successful. Two of the four projects that were listed in that memo, Irvine and Fairfield have pulled permits. They pulled in December, 1600 units worth of permits were pulled in December alone. Essex and Equity Residential, I've talked to them. They're planning to pull in the next few months to meet the guidelines that we had set out. There is a fifth, Thompson Dorfman in North San José that looks like they are probably going to also meet that definition and going to want to go forward. So I think our efforts have been successful. You've heard some demographic information through I'm sure the GP 2040 updates but again we're projected to gain 470,000 new residents by the year 2040. The 65-plus and the 20 to 34 year old segments are going to be the fastest growing. So these segments are probably going to want denser products, more transit oriented, closer to amenities and walkable neighborhoods. One of the things that we're focused on is while the market is not naturally affordable for a good proportion of our residents, we want to make sure that as we go forward and plan for growth that we do it in a way that can accommodate the range of income of people who live here and those who may be joining us in the future. We'd like to do a market study to try to figure out what the future housing needs are going to be at the different income levels as well. And I'll turn it to Leslye.

>> Leslye Corsiglia: Kristin is going to turn it back to me. That last point she made is significant. As we look at an aging population, I think we need to look at the kinds of units that our aging population is going to need. More likely smaller units, that fits in with density and the villages and making it so that people can live near where other amenities are. But that's something that's very important. I also think what challenge that brings for us is that a lot of our seniors just don't have as much income and I think we need to look at that and understand it. Understand what they can afford. I think that you're aware that the very top Social Security annual amount is \$19,000. And in an area like this, where the rents that Kristin showed in most cases will eat up that entire \$19,000 a year. So we do have to figure out ways that our population can continue to live here. I think the second issue is relating just generally to what our plans are for the future. We want to create a vibrant community. We want to interest young people to move here. We want to make sure that we offer the jobs that are high-paying but with high-paying jobs come demands for services from folks who don't make as much money. We need to be able to accommodate people across the spectrum of incomes. So that's a real important thing. That's something that we plan for

because as part of our housing element we need to plan for housing for people of all different incomes and our regional housing needs which you're very familiar with, do require that we do so. We were very successful in meeting our needs in the last seven-year RENA cycle. This time we are halfway through our RENA cycle and we have pulled permits for about 14% of the goal. So we are -- and we knew this going in because our goal was so high. We're going to be challenged to come close to that. But that's one of the things that is challenging us. The other thing that is something that is on our radar that we need to spend more time talking about is, SB 375 and the climate change requirements that really tie our planning efforts to the production of affordable housing and housing for all income groups. So we are working on that regionally, actually Kristin on a group with all the major cities in the Bay Area that's working on how we can do that. But that's really going to be a challenge for us going forward. Speaking of North San José which we've talked about a lot just running into the meeting with Joe, we do have a 20% requirement for development of housing there. That's going to be a challenge. We've gone ahead, we've approved projects without the affordable units. And now we're not sure that we'll meet that 20%. So that's another challenge that we have. I think the biggest challenge is going to be money going forward. I think we are right now fighting, very, very hard on the elimination of redevelopment which has been how we've been able to build a lot of affordable housing, but also how we've been able to incent market rate housing as well and to provide some of the infrastructure that's needed to be able to meet the City's housing needs. In conjunction with that, we have a state bond freeze right now that is -- that has frozen all bond funds, including the voter-approved initiatives, proposition 1C that had housing funds. It also had funds for park development with housing. We have not been paying as much attention but are going to to what's happening at the federal level with CDBG and home. But those programs are threatened right now. There is no permanent source of funding at the state level, and the housing trust fund at the federal level has not moved forward. So those are the challenges that we're dealing with. And I think we want to make sure that we have money not just for development but for the rehabilitation of our housing stock. Our housing stock is getting older and a lot of our residents cannot afford to maintain them because of their income levels. We have a large mobile home resident population, and our mobile homes are in need of repair. We also are fighting to end homelessness and we need to have housing opportunities available to ensure we can bring people off the streets. So the money issue is going to be important. We put a couple of issues up for discussion in case there's an interest. But one of the things that we're struggling with as we start moving towards density and the need to concentrate growth in certain areas of the city,

and along transportation corridors and the urban villages that we're working on, how do we work with neighborhoods in getting them to accept this kind of density? We've had a real struggle with that and I think as we have good plans and good thoughts at going into projects that often it's hard to convince the neighbors that that's what we need. And then secondly, with the funding challenges, I think that we need to grapple with how we can provide the funding through the myriad of needs that we have, which is again not just the construction of housing but the preservation of our existing housing stock. And then, assistance to those people in the community who are lower income, who we depend on, who are our seniors who have lived here all their lives. How do we provide them with the ability to stay here in our community? So those were -- that's an overview of where we are and then some of our challenges.

>> Rose Herrera: Thank you very much Leslye and Kristin for the great report. Do we have questions? Councilmember Liccardo.

>> Sam Liccardo: Thank you, thank you for the presentation. Certainly challenging times ahead. But as we look at the present I'm still mystified that lenders aren't figuring out that we've got really high rents here in San José and certainly a housing stock that's not increasing significantly at all beyond the recent breakthroughs that we've had in North San José. And as we look at a four and a half percent vacancy rate in that graph that you showed, which was really compelling, I'd never seen the layout quite like that. To see the lines as flat as they are since the dot-com bubble demonstrates to me there's clearly a breakdown in the market. How do we -- is there any opportunity to get a lender's round table together to say, here, see, the rents are there now can you lend so we can start building?

>> Yes, we regularly work with commercial banks on the affordable rate side, the market rate banks, those banks may be a little bit different and working relationships with builders and have lines of credit and even some overseas banks. But I think that's a good idea. We have had developer round tables and they had plenty of access to credit on the affordable side before. And going forward it may take some additional education, I don't know, but it's a good idea.

>> Leslye Corsiglia: I also think that the rental market is -- we're seeing a little bit of a change. Although people are walking into it with just their toes going in in, North San José for example. It's a for sale market that we're just not seeing anything going forward right now.

>> Sam Liccardo: Yeah, and I don't expect that will change in the near future, but seems like we should be able to get some apartments built, there are plenty of high rise sites in the downtown we'd love to see, I know that high rise ain't going tomorrow, but at least to see significant housing stocks to be added again, it would be I think a great relief and would at least apply some downward pressure on prices I'd like to think.

>> Leslye Corsiglia: I think that we'll start seeing that. One of the concerns potentially in North San José but hopefully there's going to be sufficient demand for it is the number of units coming on at the same time all with the same rental structure is going to be a bit of a challenge. We do need to start seeing development elsewhere in the community and with a different rental structure so that we don't have that problem. But you know, I'd be very happy to talk with you about ways that we can bring lenders in to talk to us about what they're thinking and maybe to have a couple developers at the table to talk to them about what they see, as well.

>> Sam Liccardo: Thanks Leslye. And then about the RENA goals, I know that no city in the Bay Area is going to come in anywhere close, in terms of building the units that are suggested. But doesn't RENA just require us to plan for them? Obviously we'll plan for them and not build them but we're not going to fall short of meeting the letter of the law, right?

>> Leslye Corsiglia: That's correct. RENA has required city's plan and we have done that. The requirement is 375, I don't know if Kristin wants to talk more about what you're doing that.

>> The SBC 375 we've engaged with the Planning Department and other communities about how to make the RENA goals real, strategic SPS, all these acronyms, coming forward to help inform what progress is getting made to the state. The SB 375, I mean the greenhouse gas emissions actually have to get reduced in order for us to meet goals that have been set out already by state law. And so if there aren't resources to build the units, if the

market is not there how are we going to achieve the reductions? I do think that everyone is kind of in the same boat at this time and I don't know that there have been teeth put in the legislation where we would be in a problem situation. But with the Bay Area air quality management district coming up with some of the same findings I think you had suggested about who is causing pollution and where are the trouble spots going to be from air quality, these layers coming onto each other and an overall picture that makes it a little difficult to plan for the growth but the Planning Department I think is getting around those impediments by getting pilot funding to do a community assessment about how we could lessen impacts even though we are going to be trying to build in those priority areas. So it's a complicated mass of programs and requirements trying to learn them all.

>> Sam Liccardo: I know Ash and I spend lots of time up in Oakland with our head spinning. But have fun with that. Just to address the first question obviously in the downtown we've got a lot of neighborhoods that for the most part get it about density. And understand that we're going to be densifying as a city. So the challenge isn't so much accepting the density but I think having realistic expectations around the density. I think there is a dream in which every development has ground floor retail that is totally unsustainable by any market. These days we're happy to get a Quizno's in there. But everybody would like to see the shrunken down Costco somehow in the bottom of their four-story apartment building, which hasn't yet emerged in the market. And so I think dealing with those kinds of expectations is challenging, the expectations around, hey, the developer should be paying for a new bus rapid transit line to be installed here. Those kinds of expectations are really challenging. What could go forward moving forward, shameless self proposals, something I have been pushing for the past several years, seeing how we could get a formal policy in place of developers being able to get forgiveness on parking ratios and other kinds of incentives if they kick in for ecompasses and car-share programs and other kinds of programs that reduce some of the parking and traffic impacts on some of the surrounding neighborhoods. Being able to present that to neighborhoods I think would be a great selling point if we can say this developer is going to be paying for ecompasses and is going to help support car share for the entire neighborhood that the neighborhood can participate in. I know that development isn't moving at such a great pace that that's an urgent need now but I just think down the road that's going to be really critical.

>> I might add that parking is very expensive to perform it in so anything that helps reduce cost will help spur development.

>> Rose Herrera: Any other questions? Councilmember Kalra.

>> Ash Kalra: Thank you, just following up about Councilmember Liccardo's comments about development, it's all a matter of scale. The further you move from downtown the more issues you have about trying to densify some of the neighborhoods. In downtown it's a matter of how tall the tower is going to be. And you go outside of downtown, it's a matter of whether it's a two story podium or not. There's just different issues. I think in the downtown people certainly are more prepared for it and they have seen it happening but this conversation needs to curb citywide. And it's a very difficult conversation to have. I know that certainly in district 8 there are developments that don't propose changing density at all and people don't want anything built next to them. They want things to stay the same unless it's going to bring them restaurants or something. I think that when I talk to folks about Hitachi and so on whenever that's going to get done, sometime in the distant future is that you know it's not going to be you know people are always asking about the restaurant part but I make it clear to them it's going to be close to 3,000 homes. They are really, that many, isn't that too many, and even starting that conversation well in advance of when it may actually come to pass in some of the other areas outside of downtown when they're not used to it where you don't see that kind of density, initially some of the more challenging conversations downtown in Councilmember Oliverio's district, midtown, the neighborhood has come forward in a very productive way in downtown and midtown and even in some areas in district 7 where we've seen some of that development. So I think that that's been a good training ground and buildup of experience by at least for the staff. As we go you know again, a lot of this development is not going to happen for some time but as we go out into the neighborhood and there are plots of land that are available for development, I think those are going to be some of the more challenging conversations. But you know, I don't shy away from it. I don't think anyone on the council has really shown a disinterest in having that conversation. But I think ultimately staff's the one that's really going to have to drive at the neighborhood level, a lot of those discussions.

>> Leslye Corsiglia: There may be a way that we can provide some examples of what density looks like that might be helpful to make that argument. So I just think as we move forward that's going to be a bigger challenge for us.

>> Rose Herrera: Well thank you and really good report, sobering report. I can't say it -- it's kind of depressing a lot of what we're hearing here but certainly you've put the goal in front of us. I just had one quick question on the population that's living out in probably in the suburban area of San José. That is aging and it's getting to the point where maybe they'd want to leave that home but they've got a low tax rate, they've got a payment they understand, they don't have the money to make that kind of a switch. And I think there's going to be a growing population of those folks that are probably living in single family homes that would maybe like to transition into something else. Do you have a sense of how many, what numbers we're talking about and is there any sort of idea a program or any way we could put something together that would facilitate that kind of a transition down the road?

>> Leslye Corsiglia: I think that's something we'd have to look at looking at some census data to see what that population now looks like. Did you have some thoughts?

>> No I just think we have these two growth populations right, the young adults and the seniors, the seniors being bigger and more imminent. It would be really interesting to drill down who are the San José seniors, what is their range of incomes, what do they say they need? I think this is going to be a huge issue, there's huge issue about people stuck in suburbia, isolated, without support, as they get older, a social and community issue, and we should be looking at that.

>> Rose Herrera: And at some point not have the ability to drive themselves, and then you're looking at transit, a real need for transit, or to be located closer to some form of transit, restaurants, shopping, to be able to live independently. So unless -- if you have plenty of income you can move into a nice retirement community you know which there's a nice one you know in district 8, the villages and you have other retirement communities but there are those who really don't have the means to make that transition. And then if that housing's freed up how

do does that play into our whole housing picture here? I think we need to look at that and the other thing I was going to say is I grew up in San José and I think San José saw itself and we have seen ourselves as everyone would get a three bedroom two bath dwelling. If that's not going to be the future for everybody, I think it's taken time for people to assimilate that understanding. Because I think that is what people grew up here thinking about. And I think people that moved here more recently may not have that perspective but certainly people who lived here all their lives and had their kids, they assumed that's the way it was going to be. So I think it's been in transition in terms of giving us a dose of reality of where we're going and what our needs are and what size a city we are and all those kinds of things. So I really appreciate the report. Do we need a motion to accept this one? Okay? Motion to accept the report do I hear --

>> Sam Liccardo: So move.

>> Second.

>> Rose Herrera: All right all those in favor, opposed and we have open forum. We have one speaker. And then we will be done. David Wall.

>> David Wall: Almost a year ago, our honorable aviation director, March 8th, produced a memo for your study session budget and policy issues affecting the competitiveness of this exceptionally long named airport, it's going to get longer. This year the debt service is right at \$19.8 million. As is published on page 5 of this report. Now as soon as the fiscal year changes, it bumps up to \$40.2 million. Now, this is just the debt service. Can the City of San José pay the debt service of the airport? That question was not even discussed at the airport committee meeting which two of the learned honors sit before me were there. Now, this is a pretty nasty debt service. And so I think there should be some discussion about that at least maybe every month. Now, to the OED folks, I would like to see how much money they actually bring in per month to the city. I mean if it wasn't for my tonnage I'd have been swept away by all the gloriousness of what I've heard here today. But I'm firmly planted and resolved. A lot of this is folderol and not cash. And so since Councilmember Oliverio is now present, he is the one that has invoked the doctrine of performance. So every month I'm going to come and ask, and I think it's reasonable, how

much money is coming in to the city from all these different projects that we're paying an enormous amount of overhead, benefits and salaries to good people, but how much is actually being seen to the city? Thank you.

>> Rose Herrera: Okay, the meeting is adjourned.