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>> Mayor Reed: I'd like to call to order this special meeting. Called on very short notice. And this is of the Redevelopment Agency of the City of San José. I think the first thing we need to do, City Attorney, before we do anything else, other than convene, is to see if we have a -- eight votes in favor of holding the meeting on short notice?

>> City Attorney Doyle: That's correct. Under your own sunshine rules you need a two-thirds vote of the body to make a finding that an issue has arisen that needs to be resolved and it's arisen in the last four days and the grounds are as we have all been reading the action by the state legislature on redevelopment and the bills currently I'm told, I don't know if they're literally sitting on the governor's desk, but he has yet to veto them so they can be signed at any moment.

>> Mayor Reed: All right, so what's on the agenda basically is everything that was on Tuesday's agenda that we've moved forward. There may have been some adjustments here of things that need to be done on short order before the bills are signed. Because I understand the bills -- haven't read them but lots of people have told me about them -- that the bills could, depending on their interpretation, eliminate the ability of the agency to enter into any contracts or take any actions.

>> City Attorney Doyle: That's correct. The effect of one of the two bills is to eliminate redevelopment agencies, and it would take effect immediately upon signature by the governor. The other bill is a buy-in, some call it extortion, to revive redevelopment. Those are my words. But I think we're in a position where we just -- there is a definite need to take action before anything becomes law.

>> Mayor Reed: Well, it's essentially your money or your life, kind of a choice. And while some people think it's theoretically possible for us to come up with the cash that the state is demanding for another year of life, I think it's a practical impossibility. We don't know the answer today, we're not going to know by Tuesday. That's the reason to have this meeting today, so we can stay the actions that are pending before the governor signs the bill. So with that, I need a motion to approve the holding of the meeting. Approval of the meeting to old hold this meeting on short notice. All in favor, opposed, none opposed, I count eight, nine votes in favor, we needed eight, we had

nine, we had two councilmembers who had previously scheduled absences. I know Councilmember Herrera is in Sacramento, and she'll be talking to Roxann Miller, see if there's anything she can do on these budget issues while she's there. With that, then let's turn to the agenda. Orders of the day, we have a request to defer item 7.1 to Tuesday, the 21st. That is the amendment of the amended restated agreement regarding agency loan assistance to Zanotto's at 40 South Second Street. Any other changes to the agenda order?

>> Councilmember Constant: Mr. Mayor.

>> Mayor Reed: Yes.

>> Councilmember Constant: I know under orders of the day we have the motion to defer, but I know we have people here that look like they want to speak on that. So I don't know if it would be better to take that we want to take the deferral when it comes up on the agenda so they can at least say their piece.

>> Mayor Reed: It would be better. We'll just discuss that item when we get to it on the agenda order. So amend the motion to -- well, actually there's no changes on orders of the day, then, it would just be approve the orders of the day, that's the motion, to approve the orders of the day as written with no changes. All in favor, opposed, none opposed, the orders are approved. We had no closed session to report. We have an item or two on the consent calendar. Motion is to approve the items on the consent calendar. All in favor, opposed, none opposed, that's approved. Takes us to item 6.1, that's a construction contingency for the civic auditorium project by reallocating funds from the Montgomery theater line. Motion is to approve. I would just like to note that this is with no increase in budget.

>> Harry Mavrogenes: Correct.

>> Mayor Reed: Often the motion, all in favor, opposed, none opposed, that's approved. 7.1 is the amendment to the amended and restated agreement regarding the agency loan assistance to Zanotto's at 40 South Second Street. I understand there's some people want to speak to that.

>> Harry Mavrogenes: Yes, Mr. Mayor, members of the board, we have presented you with the report, with the recommendation. Zanotto's has been a long-time pioneer in the downtown, they've taken significant risk, and as you note in the report, the agency has, over time, extended and remodified the loan that we've had, allowing it to amortize as long as they stayed in business. We're taking that concept forward to a restructured Deli type operation. They will stay downtown. They are working with Barry Swenson on a lease on south first street, to remain in business, in a 1600 square foot Deli type venue. The landlord is anxious to have them there to increase foot traffic and we would be pleased if they were able to do that. The recommendation which we can get into if you have questions, basically forgives some of the loan currently at a greater acceleration in order to accommodate the transition to a smaller store, and in consideration for them committing to that store. I believe there are representatives from Zanotto's that could speak to this item, as well.

>> Mayor Reed: Councilmember Liccardo, did you want to speak or do you want me to take public testimony?

>> Councilmember Liccardo: If I could just ask one question, that would help, mayor. As I understand it, I know the memo lays out there was a change in the structure of the loan and the agreement relating to the loan several years ago, to account for tax consequences of loan forgiveness as it was previously restructured. My understand is, t his essentially reverts us back to the original structure prior to the time that that tax issue came up, really supplanting the Deli with what was the current store, is that right?

>> Harry Mavrogenes: I think that's technically correct. Allen Ishibashi from staff has worked with this with the attorney's office.

>> Alan Ishibashi with the redevelopment agency. That's close. It was a seven-year term originally, which brought it would be at the end of August 2011 as opposed to now. So it's two months short of that original seven-year term if this was to go forward.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: I have a couple of requests to speak on this, I'll take the testimony now. Tony Tibbles, David Wall, and Fred Zanotto, Danny Zamora. So we got four people. Come on down.

>> Thanks for the opportunity. I just wanted to be clear, because I think Zanotto's has been downtown for 15 years and there are some councilpeople that maybe aren't familiar with our history. In 2004, we reopened the store, and we worked on an agreement with the Redevelopment Agency that would allow us to get loan forgiveness on money that was used to open the store originally, in 1996. And in exchange for that loan forgiveness there was a covenant of operation that was to last for seven years. In 2007 we asked the Redevelopment Agency to modify the debt forgiveness schedule because the income from the debt forgiveness was greater than we could manage from our cash flow position. There was no new money lent or anything like this. And this was just to help us. At that time we felt like we would continue to operate a grocery store. For many years downtown, this was about a year before, you know, we found you out Safeway would open and then in 2009, after the opening of Safeway it just -- it wasn't manageable for us. We've been losing greater than \$1,000 a day at this point. We are not trying to walk away from our obligation. We feel like we can operate a sandwich Deli shop in downtown. That's what the people like, and we've proven that we do that well. We think that the need for the market, you know, was fulfilled. We provided that that niche that the city needed was key center piece to a lot of the development that's taken place in the core and we'd like to ask the council to consider that when they make their final decision. And again, I think the important thing to note is that we're not asking for debt forgiveness in 2011. This was an agreement that was done in 2004. We modified it at one point and now, with the losses that we've had over the last couple of years, we can take the rest of that debt forgiveness, against what we've lost, and frankly, just operate under the original covenant of the seven years. And then we're happy to go forward with this Deli, into the future. Thank you.

>> Mayor, council, thank you for having us. Again, I represent my family, Fred Zanotto. Zanotto's family markets. We have been in business since 1962, mostly in San José, Santa Cruz county also. Our stores currently are doing about \$10 million here at Naglee and about \$7 million at the new store in Willow Glen. This store downtown over the past since Safeway opened, I don't know the exact date, has really been nothing but a

struggle for us. We've been subsidizing that store through the other stores which in turn jeopardized what we currently have. We employ currently 200 people at our two stores. And we do a good volume and we do good product. But we don't do good in Downtown San José because we don't have the opportunity. Safeway was snuck up on us, and it's a stone's throw away. Everybody knows where it's at. Two stores side by side, the big guy is going to survive. Obviously Safeway is a little bigger than us. But we do, however, like Troy had mentioned we offer something that no one else does. We will operate a sandwich shop a Deli downtown, to continue our agreement with the RDA. Would love to have your support and approval in this direction. Thank you.

>> Mayor and councilmembers, Danny Zanotto. We spent a lot of time downtown and we gave it our best. We really tried hard but it came up short, due to the economy and Safeway and you know, I'm sure other reasons. But we need your help on this issue. We've been pioneers. We've done a lot of good things for the city with redevelopment and development down. Troy and Fred said it, pretty much I feel the same way. So appreciate, if you could handle this today, so we could move on to the Deli that we want to open on first street. Thank you very much for your time.

>> Mayor Reed: Mr. Wall, looks like you get the last comment.

>> David Wall: First of all I think the city as a whole owes a -- at least a public apologize to the Zanotto family. And this is in reference for the abjectly insane decision to put Safeway in there, at taxpayer debt to run them basically into the ground. This basically, this one case here alone is why the governor of California wants to shut down redevelopment agencies. Because the total amount of money that's going to be forgiven goes into the ether somewhere. Who is going to pay the taxes on it? This is just inexcusable, on a number of issues. But it just gets -- irks my gall that taxpayer money is gone, it's gone because of incompetent financial and business decision and there's no accountability whatsoever to the people that allow it, and make it. And there has to be some change. And hopefully, today, there will be change. Now, insofar as continuing with this type of a business arrangement, it is almost inconscionable that, how let's say I couldn't get a loan from you people. And then, have you people make a decision to have some other competitor come in and I can walk away, with just a sandwich shop. And have basically the General Fund in long term be liable for any and all Redevelopment Agency

moneys. No. This is unacceptable and I close, again, with a requirement that this city apologize, publicly, to the Zanotto family for what they did. Thank you.

>> Mayor Reed: I have a motion to approve. Any further comments from council? All in favor, opposed, none opposed, that's approved. Item 7.2 is an amendment to the sublease and co-sponsorship operating agreement with the San José State university research foundation for management of the San José biocenter. And then we have item 7.3, approval of a continuation agreement to the sublease and co-sponsorship operating agreement for management of the San José e-center. I'd like to take public testimony on both of those together because there are folks here who are involved in both. Councilmember Liccardo, did you want to take this up? Okay, let's take the public testimony first. Adrian Brazil.

>> I'd like to thank you for hearing me today. My name is Dr. Adrian Brazil and I'm a founder of a clean tech company that operates out of the San José biocenter. Really, my story is a story of two different companies. It is a company that my friends founded that was venture-financed, and there was a company that I founded that was sort of friends and family financed and boot strapped. And what the biocenter allowed me to do with my friends and family money is start a company that started doing research from day 1, to both bring a product to market to solve a critical need in society, which is cleaning water, removing small molecules that cause early onset puberty, et cetera. My friends took a different route, they went and they got venture financing and raised \$2 million. But the problem was, with that \$2 million came an attachment of about six people that had different roles within a company that hadn't even done the R&D yet and had not developed the product. Their company has not been very successful and I'm proud to say my company has been very successful, because we were able to start and operate a company quickly, to do the R&D necessary to get something from the branch into the hands of the customers. That was enabled by the biocenter, because the second week that I was there, we were already doing R&D and already developing product. I hope my friends will do better, but given the management structure of their company and what they had to do, given the money they had to raise to set up their own facility, I don't know if that is going to be possible. So I think you should definitely continue your support of the biocenter to continue to enable companies like myself, like the people that follow me, to produce products that change how wastewater is treated and generate better solar energy and alternatives for biofuel and the like. Thank you.

>> Councilmember Oliverio: Mr. Mayor, ask a quick question. Sorry.

>> Mayor Reed: I hear a voice, don't know where it's coming from.

>> Councilmember Oliverio: What's the name of your company? Or do you have a Website?

>> We're ZNANO, znano.bis. We were recently featured in the San José-Silicon Valley bis blog.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: The council has previously approved direction to worked out a transition plan for how we handle the plan on our clusters here. And the incubators that we have. And Mary Sydney is here. I'd like to have Mary come down and talk a little bit about the transition. Because some people don't understand that the city doesn't run the biocenter or the e-center. We're engaged in it in a partnership with San José State university research foundation, and San José State has to be in the middle of the transition. I'm just curious if you could just enlighten us on where you are on the transition thinking and planning.

>> Thank you very much, mayor Reed, city councilmembers. Thank you for this opportunity to just talk a little bit about that transition plan. First I would just like to thank you again, and acknowledge the 17-year partnership we've enjoyed with the City, the Redevelopment Agency, and the research foundation. And it's just been enormously successful on multiple levels. We have a world class incubator program. During that time I would say we have incubated the incubator program. It's had its ups and downs and bumps like any new initiative. It is very innovative, and we've learned a lot. So we have come to a point where while the bad news is, the economy is what it is, the good news is, I would say the incubator program is probably the strongest it's ever been. So we feel like we're in a position now to start transitioning to a truly self-sufficient model for ongoing operations of the incubator program. We've developed a preliminary transition plan that has four key elements the first of which is, we build on the foundation of the existing lease agreements if those could be honored through their lease

expiration. We then say with that in place we move on to say let's go back and renegotiate some of the lease rates with the landlords. And we think that's possible. We've got market data to support that that's reasonable. Third, we would then look at our client companies, especially the incoming client companies, to see where is their opportunity for price increases because we have now built a world class brand, we think that opportunity is there, and then lastly, we have had tremendous progress in the last year and a half with increasing sponsorships, corporate sponsorships in particular. This is where we see the future of that program going in terms of accommodation up with a fully self-sufficient financial model. So for those sponsorships they can be both in kind as well as actual funding and we're already getting good feedback. We just see that we need a little runway to get all the way up to a fully subsidy freeze model and through the lease expirations we believe can get us there.

>> Mayor Reed: Okay, anybody have any questions for our partner San José State university as long as we have Mary here? Councilmember Pyle.

>> Councilmember Pyle: Oh I just like to heap praises on what you've done. Every time I hear biocenter I feel a nice warm goal. It fits in so easily with our goal for the Green Vision answer everything else.

>> Absolutely.

>> Councilmember Pyle: I'd like to say also, Melissa Richter, who is here, has done such a phenomenal job.

>> Absolutely.

>> Councilmember Pyle: I've seen her in action when we went to England together, happened to be the same trip, but I've seen her make sales right there, and she's really good, and brought some fantastic partners to that center.

>> Absolutely.

>> Councilmember Pyle: So the last thing we want to do is not to keep you going. We absolutely need you desperately to stay afloat. Thank you for all your hard work.

>> Thank you.

>> Mayor Reed: Councilmember Kalra. Okay Councilmember Liccardo do you have a question for Mary?

>> Councilmember Liccardo: I do, and thank you for taking the time to be here. These aren't your numbers. I know these are reported by the Redevelopment Agency staff. So if I should be talking -- asking the Redevelopment Agency I'm just looking at the page 2 where it describes biocenter facts and the results, and obviously we've got tenant companies affiliate companies and then there's a line describes 836 jobs created. And I'm wondering, whether that came from the foundation or RDA. How do we measure whether or not a job has been created? I know that's a controversial subject whenever people talk about jobs.

>> Right. Well, I know a critical building block is just the number of client companies and the number of people they employ.

>> Councilmember Liccardo: Right.

>> But beyond that let me just check with Melinda. Are there other ways you could measure job creation, is that what you're saying?

>> Councilmember Liccardo: I guess maybe if I could be more focused, really how did we come up with 836, and if you guys didn't come one that number, maybe RDA did. I'm just trying to understand where that number came from.

>> No, their data would come from actual incubator managers.

>> Councilmember Liccardo: Great.

>> Thank you for having me here today. So we do count the number of jobs so as the companies are at the biocenter we keep track of all the employees that come in. And then, we keep track of them when they leave. So it's actually a great intern project for one of the San José State university people to come in and on an annual basis check back in with our alumni and see how many jobs they have created since they left the biocenter so we keep track of all of them.

>> Councilmember Liccardo: So if a company has say two members, I know these are small companies usually coming in. So if there are two or three members in the company coming in, I assume those two or three jobs aren't counted as jobs created, is that right? You're only counting the delta or are you counting the company and how many --

>> Actually count all the jobs we have in total. We don't subtract, if they come in with two people we don't subtract it from the total amount. Because most companies come in with one two three people.

>> Councilmember Liccardo: Small companies.

>> Right.

>> Councilmember Liccardo: When we look at 836 jobs created that reflects all the companies that have come through the center over these years recollect?

>> Correct, 74 companies.

>> Councilmember Liccardo: That reflects their total employment at some point during their tenure there?

>> Sorry, say that again?

>> Councilmember Liccardo: It reflects their employment at some point during their tenure at the biocenter?

>> And after. So we keep track of all of the jobs. So today at the biocenter there are about 22 resident companies, there's eight affiliate companies, and then onsite, I can't remember the exact number, it's about 175 to 200 that are on site today.

>> Councilmember Liccardo: Okay. So if we think about sort of what the goal is in mind and where we're going and thank you by the way for all the information, are there -- are there companies that we can point to that have come out of the biocenter that have added hundreds of jobs and here in San José? Or --

>> Well, actually there is a great announcement I'd like to make today which is --

>> Councilmember Liccardo: Great.

>> -- one of our current companies is graduating. The exciting thing is they came in with I think maybe five people and 2,000 square feet of space about a year ago in March of last year. In the last month they've been basically hiring a new employee per day. So they're up to about 30 employees. They've now signed a lease to move into the bottom floor of the biocenter building so they're going to take up 30,000 square feet. And they're going to continue their hiring process of doing about an employee a day over the next three months.

>> Councilmember Liccardo: Great.

>> Growing substantially here.

>> Councilmember Liccardo: Wonderful. Are you able to say what company that is?

>> Yes, tandem diagnostics. And actually the CEO of Tandem Diagnostics is actually the partner from Venrock that funded the company. He was so excited about the technology, he decided to join the company as CEO. And originally, when he was looking for a location, he was thinking it was going to be between south San Francisco or sand hill road or actually Torrey pines, in San Diego, which is the place in San Diego for life sciences. And so his real estate broker said oh no you have to see the biocenter. And he refused, refused, refused, he came down, saw the biocenter, and next day signed a lease.

>> Councilmember Liccardo: Great! Are there -- obviously tandem is a great success story. Can you give me a sense about how many companies we point to that sort of followed that trajectory out of the biocenter?

>> Staying in the San José region?

>> Councilmember Liccardo: Yes, staying in San José.

>> One of our first companies, Britex biophotonics actually ended up staying in the area and hired a considerable number of people. Since then it hasn't been as many companies. Our solar companies have stayed local. The issue is really having our companies be able to move into spec lab space. So in the area there is no other spec lab space and that makes it difficult for companies because spec lab space takes a long time to build and it's very expensive. And if you look at their shareholders, their shareholders of these companies would say well there's a lot of empty space up the peninsula, somewhere between Stanford and South San Francisco and so it makes much more sense to go into a unit that's all right built out. That's the problem we face, we need that surrounding area to be equipped for these types of companies. So the good news is that Mr. Berg has done this now, developed the bottom floor for tandem Diagnostics, and we hope that will continue the trajectory that he's on and will keep our companies here.

>> Councilmember Liccardo: Thank you very much.

>> You're welcome.

>> Mayor Reed: Before you go, could you talk about the relationship between Stryker endoscopy, and Clinometrics and Hospira?

>> Yes, those are all partners of ours. In fact, a lot of their technology teams come to the biocenter for programs on new scientific methods or how to think about new technology markets. And so have been a continuous focus with us in terms of searching for new areas to build companies or to spin off technologies.

>> Mayor Reed: Okay, another little-known thing that you do there that is really good for those companies. All right, any other questions for the people in front of us here before we get into other comments? Sam.

>> Councilmember Liccardo: Question, Ms. Richter, I know that you've got a company of your own, and my understanding is, you work with other biocenter-type operations in other cities. Is that fair?

>> We are doing some consulting to them to help them figure out if they'd want to do another one. But currently the biocenter in San José is the only one that we have.

>> Councilmember Liccardo: Okay, you're not -- I recall reading there was an operation in I recall South San Francisco?

>> No we're doing an investigation, a feasibility study for the City of San Francisco, to see if they want to do a larger innovation center.

>> Councilmember Liccardo: I see, okay. And then you do some consulting San Diego and other cities as well?

>> Uh-huh, yes, that's correct.

>> Councilmember Liccardo: So in terms of where companies go, is -- I guess my focus is on obviously I understand you need to have many clients in order to keep a business going. And so that means often those are cities that may have competing goals in terms of being able to get the companies that grow. How do you manage sort of the fire walls of this city is trying to get that company, the city has that company, and they're working for both cities?

>> Well, as I said we're just doing feasibility analysis for them. So right now it's not about getting companies, it's looking at what the local market looks like. And to be honest I think what we have at the biocenter creates a tremendous amount of value for the industry. And the problem with the industry today is it takes a lot of money and a lot of time and a lot of resources to get therapies out to the people who need them. And this is a unique and very valuable model that will increase the number of therapies that get to people at a much more effective price. It is better for the industry to have other models like the biocenter, and in fact I think it's a compliment to what we have been able to do here in terms of forging a new way of doing things that will actually help get new therapies to market.

>> Councilmember Liccardo: I guess where I'm going with the question, I'm sorry if I wasn't clear enough, is if you've got a client, the Seattle biocenter, and the San Diego biocenter and this work you describe with San Francisco, inevitably different cities are vying for companies as they're growing, we all want to be on that train with the company that's taking off. How do you create sort of fire walls or whatever to focus your loyalties as you're serving one customer when clearly you've got other customers that are vying for those companies?

>> Well to be honest with you, there is such a backlog of demand, just here locally in the area, for the biocenter, that actually, it is nothing that I think we have to worry about. In fact the problem is there is so much demand here and there is so much demand in those other areas, because these early stage companies don't have anywhere else to go. The problem is there is no other solution out there that matches what we do. So in effect I don't see it as competing. I think there's actually far more demand than this area is able to handle and the Bay Area does need additional solutions out there. Our end goal is to help these companies get to the place they need to be.

>> Councilmember Liccardo: So the Seattle biocenter, the San Diego biocenter are not incubator where client companies like ours would need to be, is that what you're saying?

>> Which biocenters?

>> Councilmember Liccardo: The San Diego biocenter and Seattle biocenter.

>> There is no San Diego biocenter and no Seattle biocenter today.

>> Councilmember Liccardo: I'm looking at a website here that lists your name, Prescience International, that is your company?

>> That is, yes.

>> Councilmember Liccardo: And it is a bio of you, and it describes your work, Melinda Richter, as the founder and CEO of Prescience International, and it continues, says you are starting and managing research centers, incubators, foundations and entities such as the San José biocenter, the San Francisco innovation center, the San Diego biocenter, the Seattle biocenter, the environmental business cluster, the U.C. Berkeley biotech institute and U.C. Berkeley clean tech.

>> Uh-huh.

>> Councilmember Liccardo: So you're familiar with all those?

>> Yes, most of those are feasibility studies today.

>> Councilmember Liccardo: Okay. So they are not actual bricks and mortar?

>> No, in fact, if you look at a trajectory of getting one done, they are many years away. If you are looking at San Francisco hunters point project, they're not looking at bringing in utilities until 2016 and then start to build after that. So we'll be looking, if you are lucky, at 2020.

>> Councilmember Liccardo: Okay, that's helpful, thank you very much.

>> Mayor Reed: Councilmember Kalra, I think that's it for questions. Councilmember Kalra did you have any comments?

>> Councilmember Kalra: Yes, thank you. I think the biocenter had a great opportunity to yet understand the model of the biocenter, and I think it's too simplistic to talk about the biocenter in terms of X number of jobs created. Although I do think it's been impressive in the terms of the kinds of jobs and the high paying jobs that have been create thread. I certainly want to thank Mary Sydney and San José State research foundation, the difficult time RDA has been going through I know it hasn't been easy for the research center to play the waiting game just like we have with the RDA. They have shown great flexibility and commitment to the biocenter so I'm certainly thankful for that. I want to thank Dr. Brazil, really better than I think any of us could exemplify the importance of the biocenter that lets scientists be scientists, lets them focus on their work and not focus on what their investors are kind of pushing them to do and get to market quickly. They can focus on the science and that's why we see great success in the science that is created from the biocenter. And as Melinda indicated, with tandem diagnostics, that's a huge -- it's a huge step in the right direction. The first floor, as many of you may know, the first floor of the biocenter was intended to be a grow -- basically a buildout of the biocenter. But it's basically, there's a price tag is in the millions and millions of dollars. Couldn't get federal money for it, couldn't get other funding sources. So the fact that Carl berg was able to partner with the biocenter and with Tandem to build out the first floor and get it filled up with a cutting edge company I think speaks volumes of what the biocenter can do. And I think Melinda indicated that that's part of the struggle we have, is that we don't have enough of that kind of space. I think once Carl sees the success of tandem moving into the downstairs of the biocenter he has some shells right next door, right nearby, he'll start to see the value of starting to build those out in advance of companies being prepared to move on and so if you add that with the addition of Stryker endoscopy, one of the

reasons they moved there was to be able to take advantage of the resources that the biocenter has not just in terms of the lab equipment but the experts that they bring in to help guide the companies not just in the biocenter but in our city, become successful. So that's 80 think that just adding the number of jobs creating the biocenter does not reflect the assistance the biocenter gives to companies, throughout our city, in making sure they're successful and able to continue to grow. And I really want to thank Melinda. I think you've done a tremendous job with the biocenter and you know every time I've talked and I have talked independently with many of the companies there, they rave about you and your staff and the ability again to allow them to be successful in growing their companies. And you know, we're talking about right now, extending a lease for \$395,000 for the remainder -- for this next fiscal year so the research foundation will continue their work in trying to make sure they keep the biocenter afloat and successful. And we just -- our last item we just forgave over \$600,000 alone for a failed company in downtown. And for us to question and cross-examine Melinda on a \$395,000 lease of RDA money to keep the lease going, I just -- I find seriously questionable, and I don't think it's inappropriate to question what's happening in the biocenter, but I think that to question what the biocenter has done for our city and whether it's valuable enough to allow for the continuation of a lease just to the end of fiscal year 2011-12, it's surprising to me. And so I just want to thank the RDA staff who is also worked very closely with the biocenter and I look forward to continuing the success of the biocenter going forward and working with the San José State university research foundation and other partners that wish to come in and help us in making it successful.

>> Mayor Reed: I just wanted to note one other item in the staff report is that the San José State university research foundation will continue to fund all operating costs and common area charges totaling approximately \$1.7 million a year. So the rent we pay towards the biocenter is only a small part of what it takes to operate it. And they've taken on that responsibility in a transition phase so they're going to have to come up with another \$395,000 a year at least in order to continue this. But this will allow us to run this out through enough time to develop a transition. So I'm glad that the transition planning is well underway and things are looking good. It only takes about 15 years to get to the point where people will believe enough in you to start making sponsorships and in doing things. So that's great. We'll be able to keep this alive even though the agency is going to have to get out of the business completely. It's just a question of when. But we know it's inevitable. So I want to thank Melinda and Mary for making it a success so we have a chance for it to continue on. Now last item I wanted to note in the

staff report, Councilmember Liccardo was talking about the jobs created which are certainly good to have jobs created but these companies have raised \$1.4 billion in private equity by client companies. That is a good sign that something serious is going on there in the way of creating companies as well as jobs. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I'm happy to support the staff recommendation. But I want to clarify something. When we choose to invest RDA money, scarce RDA money and city money in any project or program it's with the idea particularly the Redevelopment Agency that we're creating jobs here in San José. And I think we'd all agree on that general proposition. That's the purpose of this. So when I respectfully inquire as to how we get to jobs estimates, for instance, 836 jobs that are quote unquote created because that's what the memo says. And I ask how is it that we got to that number, and if we have concerns, I have a concern, because the -- the folks who are managing the company may have business relationships with other cities that also have incubators. And I respectfully inquire as to whether or not there are conflicts of interest that might arise which I think we can all imagine as a result of those business relationships, the fact that another member of this council would take umbrage at the fact that we would simply inquire respectfully about the nature of those relationships, and the nature of how we measure job production, is astounding to me. It's astounding. And if that's the way you believe this council should operate, is just put our heads in the sand and accept whatever may be at face level we're going to have a very difficult time managing our very scarce resources in this city. So let me be very clear: I'm happy to support this recommendation. But when we say 836 jobs were created, what we heard in terms of the answer is, that's not quite true. 836 jobs were not created through our investment. And in fact, we should be concerned if there are people who are managing our incubators who have strong relationships of various kinds with other cities and in fact those are advertised on Websites for their companies. I'm not suggesting it can't be done that it can't be well merchandising or that we shouldn't continue. But the fact that we wouldn't inquire, our taxpayers should expect more.

>> Mayor Reed: All right. Can I get a motion on 7.2? We'll take up 7.3 in a second. 7.2 is a motion to approve on the San José biocenter item. All in favor? Opposed? None opposed, that's approved on 7.3, we got all the testimony, is there any additional questions or conversation on 7.3? I see none. Is there a motion? Motion is to

approve 7.3, that's the entrepreneur center. All in favor? Opposed, none opposed, that's approved. Taking us to item 7.4, amendment of a lease with two fish design group at 366 south first street. Motion to approve the amendment to the lease. Any cards? No cards. All in favor, opposed? None opposed, that's approved. Next item is our joint city Redevelopment Agency, item 8.1, is the capital and operating budgets, which is the follow-on to the actions taken on Tuesday on the budget message. I have -- 8.1, sorry, Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I'd like to move to approve the staff recommendation, with additional recommendations I've included in a memorandum dated June 17th.

>> Mayor Reed: All right, I have a request to speak on this item, Emerlinda Sapien.

>> My name is Emelinda sapien and I'm the executive director of center for employment training. I sincerely appreciate the council's last hour effort to include our project. I especially thank Councilmember Liccardo and Mayor Reed for opening the discussion and presenting this to the council. We consider this project very vital to the operation of the center which houses 600 students a year. 130 children of low-income workers. And is the center that is used year round by other schools and the community at large. So I really appreciate your support, and hope that we are successful in securing this funding.

>> Mayor Reed: Okay, thank you. That concludes the -- that's the only public testimony on this item. Thank you, Ermalinda.

>> Thank you.

>> Mayor Reed: The motion is to approve all the appropriations resolution as amended by the memo by Councilmember Liccardo on CET. Any further discussion on the motion? All in favor, opposed, one is opposed, Councilmember Oliverio is opposed. That item is approved, taking us to item 8.2, which is approval of the 11-12 cooperation agreements between the city of San José and the redevelopment agency. I have one slight modification to the recommendations for all the resolutions, is that due to the sort of sudden transition that looks

like we might have here, there may be some additional transition cost between the city and the agency, and I'd like to recommend that we authorize those to be handled between the City Manager and the managing director as they may agree to sort out what last minute sometimes haste makes waste and there are things that need to be done. Other than that I would recommend approval. Second, okay, I got a motion and second to approve the cooperation agreements as modified. All in favor? Opposed? None opposed, that's approved. Open forum, any cards? No cards, that concludes our business. We're going to adjourn. Somewhere there's cake and ice cream. I'm not sure where.