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CED committee meeting.

>> Councilmember Pyle: Ladies and gentlemen, in consideration of your time, we are going to begin. And we'll begin by introducing a couple of new faces here this week. We have Kim Walesh with us, because Paul is not available this month.

>> Kim Walesh: He's at a family wedding.

>> Councilmember Pyle: And also Janet from redevelopment is here. I forgot your last name. I'm sorry, Kern. It's been one of those weeks, months. All right, let's begin by me putting my glasses on. In reference to the work plan Kim, was there anything in particular that you wanted to add?

>> Kim Walesh: No changes. We have the work plan now set for August through December period.

>> Councilmember Pyle: And it is in your packet. So you can see where we're going after this. And that would be basically it. So we're going to move on now to the -- do we have to approve the review of the work plan? Yeah, yeah, I didn't think so, we have one that has been deferred, that's the consent calendar. We move on with the reports to the committee which begins with the chief development officer's monthly verbal report. This is from last month. I think you all might have received a copy of that. And this is for this month some as well. So I don't know as you need to go over it, because --

>> Kim Walesh: Actually we have a new report for this month.

>> Councilmember Pyle: Oh, great.

>> Kim Walesh: What can I do is hit some of the verbal reports of that and then immediately after that we send you out the written report. I have to say it's sort of -- it's very interesting month to month to look at that time the extensive amount of activity. Let me mention some things that are interesting and important for you to know. One is, we've successfully -- are working with Joe Horwedel and Ed Tolentino to recruit Aceros and get them into their space. They're a wireless networking company. Craig Barrett of Intel is their chair. 250 people moving into space formerly occupied by Siemens. Incredibly aggressive schedule. They looked at their schedule and they said, hmm, we are supposed to move in before the process has even started. So we will be able to accommodate them. So that's a fabulous new company to San José. And the second I would mention is Silicon Quest, which is interesting, because they're a fab. They're a fab that is related to LED technology, 150 jobs in this case, just moving in Santa Clara to San José. But that's interesting. We don't have a lot of fabs, so to get a new fab is great. We are on the retention category, sounds funny, but the U.S. postmaster in Alviso, to be able to have direct mail service to San José businesses and residents located in Alviso. Historically they have to go daily to the post office to get their mail, including global companies like Tivo that are headquartered there. So this is an issue that has been very difficult to resolve for at least ten years that looks like it's coming to resolution with Councilmember Chu's leadership, working with our staff. And then the last point on attraction retention, I need to mention of course is with North San José. The approval last Tuesday of the Cisco development agreement for 2.5 million square feet capacity for them and sign-off on the final elements of the North San José plan. Both just hugely important to our future. In the workforce development area, I'm pleased to report that Work2Future has received \$2.9 million in training to work with the NUMMI workers who have been laid off. About 500 of those especially are in the San José area, so that's a huge testament to the capacity we have and a huge boost to the capacity. We are working very closely with the airport as we all should be on air service recruitment. I know Sam is aware of this, Councilmember Liccardo is aware of this. That two weeks ago we were able through our relationship with the Bay Area council and Deloitte open up a relationship with China eastern in terms of making a push. So we need to keep focusing on the foreign flag carriers in particular and leverage being relationships that we have already such as with the Bay Area council. The other transportation related effort was last month, I think you know we have the pod car city conference coming to San José, October 27th and 29th. We want to make sure that our pod car conference or we hosted a meeting in this room and we had Google, NASA Aimes, Cisco, companies that are interested in potentially playing a part in the pod car cluster, and really making that an area of expertise for San José and Silicon Valley. In the area of vibrant downtown, I think you saw we had a great Left Coast Live festival this last weekend. Left Coast Live is meant to be 365 days. We're working on the live music strategy that we're close to surfacing in partnership with 1stAct. Also downtown just for your calendars Sunday, July 11th is the live strong event but we are also now adding to that. In sofa you can watch the World Cup finals outdoors on a big screen in partnership with the downtown association and the earthquakes. So that will start at 10:30 on Sunday, July 11th. And airport public art I think you all saw what an incredible addition to the incredible airport, the public art there is. And I'm pleased to announce also that just days before the airport opened, Microsoft committed \$100,000 to sponsor the space observer. So now we have Adobe, \$100,000 sponsor of the e-cloud, then

a second high tech company, Microsoft investing in the public art program to sponsor the space observer. I think that's a quick tour of some of the things that our team has been working on with other departments and the agency in the last 30 days.

>> Councilmember Pyle: My head is spinning. That's a lot of work in a very short period of time.

>> Kim Walesh: We'll send the fallout to you in the written report.

>> Councilmember Pyle: Great. I wanted to ask one question if I may on the pod car.

>> Can you ask a question, no discussion.

>> Councilmember Pyle: You're right.

>> Ed Shikada: You can ask the question but no discussion.

>> Councilmember Pyle: Did the pod car originate at Heathrow?

>> Kim Walesh: One of the modern embodiments started at Heathrow airport.

>> Councilmember Pyle: I just wanted to make a comment, that is cutting-edge! It doesn't get a whole lot better than that. Congratulations. So we're ready to move on to -- yes. Comments?

>> Councilmember Herrera: Thanks for the report. Fly San José. Great airport. And the new reports going to Hawaii for those who are look at get wag for the summer, really, really proud of the airport so just wanted to say that. And pod car isn't this an opportunity to be the first, in we were selected to be one of the first in this country to do that?

>> Kim Walesh: That's what we're aiming for.

>> Councilmember Liccardo: That's pretty cool. Left coast live, I think that's great, but the Mercury News, in things to do didn't even mention left coast live. A lot of people didn't know what it was. I'm not trying to be critical but sometimes we have to have more on notice and more attendance, the attendance, it looked like we could have had a lot more people down there.

>> Kim Walesh: These things, they'll keep on building year upon year.

>> Councilmember Liccardo: I just wanted to thank Kim and your team. Stephen Brewster I know was instrumental in getting the world cup viewing off and running after many false starts. We really appreciate everything that your guys did in putting that together with the earthquakes. The left coast live, this is the second year they've done it, I think they implemented it very well. Like you, Councilmember Herrera, I was surprised there weren't more people, given the amount of entertainment that was there. It was really impressive, what they had put out there, and I think it has got enormous potential and will continue to grow. It just needs probably some time and put the word of mouth around, and I think it will take off.

>> Councilmember Pyle: Mr. Horwedel, did you want -- okay. Thank you, anyone else with a comment? With that we'll move on with the report regarding the development services customer satisfaction survey. And now Joe wants to swap to speak. And we're glad, we got a twofer, right?

>> Joe Horwedel: Thank you. The -- bring the presentation up -- this year is the fourth year that we've conducted a survey of our development customers. And we every year bringing it before the committee to talk about what went well and what things we're off working on. And so we wanted to go through and walk through the committee results pushing onward. For the survey interested people, this is the methodology we use. It is a blind survey city staff has no access to the customers that are actually being surveyed. We give them a complete dump of all of our customers that we've served for the year, information about the types of projects that they've worked on, so the consultant goes and builds the statistically reliable survey. And then they go and do contacts with our customers. We talk to a thousand of them every year. Which is a thousand unique customers. We go through and split it between our essentially building permit and development permit sides of our business and that covers fire, building, Public Works and planning. And the goal is to see how we did in 2009. And so at a big picture level, 2009 was a -- not a good year. Kind of the analogy of bringing home the report card to the parents with your tail between your legs. Last year we had a lot of challenges. And the results of the survey confirm that. We've been really focused, since we started, doing the surveys back in '06 of improving year after year and we did that through the first two surveys even though we were going through declining staffing and resources the year before that. But this last year kind of all the pieces started to come apart in places and so we saw declines across our service delivery. It was not unexpected to see these results. We kind of anticipated seeing this last year when we did the 2008 survey. But this year, we definitely saw some of the challenges. I think when you go through and read through the survey, it's really interesting that where some of the challenges were with our service delivery. And a lot of it, I put at that we did go through a pretty substantial change in how we staffed our development services. And so the types of things we were hearing from our customers through the survey was, our ability to get work done on the schedule that the customer was anticipating, or that we had committed to, some of the coordination that between

departments is delivering development services. We weren't hitting the mark in how to do that. The wait -- times were going on for our customers to obtain service were getting longer. And just basically if you think about the quality, the interaction of staff and the customers, that the quality we're able to deliver that, we slipped. And so you know I think they all fit back around that. And so at a time when our customers were under more pressure about how they delivered services, we were under those same pressures, having less resources to go do it. And so it was kind of a double whammy that hit that year. A little more specifics, 2009 was the calendar year that we did go through the three rounds of layoffs, and a couple of ways of looking at that, in planning we went from 13 planners doing development to four. At as of now we are at 3.4. We went down to 8 permit techs taking and doing building applications to two. So some of the things that we saw coming out of the report, like I said we're not surprised, it really confirmed what we thought was going to map the things that we look at to see how good of a job we're doing, how fast can we get to pick up the phone when somebody calls, how long somebody has to wait in the lobby, how fast can we get an inspection scheduled, can we do it the next day? All those things declined over the last year. I think the ones that we really are, you know, our customers that are like under construction, our ability of our fire, Public Works and building inspectors to be out there, meeting the schedule, is really critical to keeping them moving. We saw what the building inspection, where we were running at a pace of 100% next-day inspections, this time last year, we dropped down officially to 85%, more realistically I think it was zero. That we trained our customers to go and know instead of asking for an inspection tomorrow they were calling for an inspection five days from today. And so we were, quote, meeting the target but I think what the customer really would like to have, we were not meeting that. So we have been really look at how we deliver that service. The other thing you've heard me talk about before, the types of projects that the development services staff work on has gotten dramatically smaller. It's much more granular. So in the past you were dealing with a Target store in the midst of a larger shopping center. You were dealing with big office development that was building four office buildings. You were building with residential builders who were building 300, 500 condominium units. So we had some then ability for staff in meeting the needs for those customers, to also have a little bit more flexibility to deal with the smaller customers. The end of the day, when we got through and doing an inspection for a homeowner, they have a half hour, that includes the time to travel from their last stop to get there, pull out the plans, understand what the issues are, do the inspection, and then get ready to go to the next job site. When you have a couple big projects in your day, you can flex time a little bit easier than if you have 14 of those for the day. You're like the jet that ends up at the wrong airport at the end of the day. Because you miss something along the way. Your day just kind of goes. So we really had lost some of that capacity that we used to do to be able to do a little bit more of the hand-holding and help people figure out how to succeed. And that's a part of the surveys that we're seeing, is that those are the things when customers were not happy with how we did, it goes back to those kinds of things. It seems to be triggered that somewhere along the way, we missed on something, and then it just -- the dominoes went from there on out. So we are continuing to track what's going on with development services. As I talked about that November last year was when a third of the round of layoffs happened. At that point we saw in our permit center it started to resemble the Department of Motor Vehicles in the lobby, and that was not working well. So we did bring back two staff in the permit center in January, which helped quite a bit cleaning up what was going on in the lobby. We confirmed that in the budget that the council's poised to adopt tomorrow, to go and make those permanent adds back into the program. We have looked at our -- parts of our operation where we see business starting to grow and have proposed some changes in there so in the City Manager's budget there is the third express line in there. We brought back some added inspection capacity as part of the salary savings with the building inspectors and then really a positive one for the development services staff in the Mayor's Budget Message that the council concurred with was bringing a fourth service line for special substantiate improvement program. So the types of companies that Kim was talking about that we're able to go in and attract from other cities or that are looking to grow from the current home in San José, we have been very successful in the program. It is a very labor -- intensive program and one that in look at our business volume, as staff we did not feel comfortable putting at risk the limited fee reserves we have today to go through and put forward that line. And so essentially what the council's doing, what this is to set aside, moneys that we will go and open up that line. And our goal is to be booking people into that in about a week and a half. So we'll be able to start ramping back up to that. To the extent we have empty seats that we can't fill every spot for those permits we're not going to be logs money against our fee reserves. So it helps us go through and get that up and running. We thought definitely with the third line, we could do that. With 100% recovery we were

concerned a bit with the fourth line. It is actually a business positive. It gives us more capacity dealing with the inspections, with the added staff we're bringing back because of the reduced salary reductions and some other work that we're doing and the furloughs ending we're going to add about 15% of our capacity back with the inspections. So what we saw with the 24 hour being essentially zero we think we'll be back to about a 48 hour window for about 80% of our inspections, that will be a big one for our customers who are trying to move on with projects. And some of the other things we're doing internally is making sure we got the right people in the right places, the organization is going through bumping and layoffs that we're work really hard to make sure we have got the right people in the right spots despite all of that that's moving on. So we are continuing to look at how we deliver our business as development services group. We right now are working on a project to consolidate all our administrative staff, so the staffs in fire, building, Public Works and planning that do the budgeting, that do performance measurement, really supporting the team in development services rather than living in three departments, we're bringing them into one department so that we can get some benefits of efficiencies that way. And we're also working with the rest of the organization so that we don't have three people outside of the development services telling us how to do the budget and those types things. So we're looking forward to that, one, putting a better product out in supporting the development services partners but also allowing to us go through and do it in a more effective, efficient manner, that will allow us to buy back some of the services, the things that Kim was talking about of how we do the special tenant improvement program and our industrial tools. Those are good stories and having people like Craig Barrett talking about how we do that service is great. Because he talks to other people, other CEOs about we're a great place to operate a company. But we want to go through and actually put together some better messaging around that, and right now literally I'm asking a planner or an engineer to do that. And I'd rather have somebody who's trained in communications doing that, which we used to have. So we think with the consolidation in the administrative functions we'll actually be able to bring that back into our organization this next year. We're also work on a project management concept to work on some of the key projects, the high profile STI projects, that making sure that as they move through our development service arena that we are aware of the commitments that are made to specific projects. It's the staff that are working on things, are very busy and so they are just kind of work on what's the next one through and we got to make sure we're strategic about which customers we're serving and how we organize them. And so this is a position that we're going to pull somebody out of the organization and have them really looking at the higher level of how we move some of these key projects through development services to make sure we're able to meet the commitments that come out from the council and from our partners in economic development, and redevelopment agency. It's one that we're not going to be focused on every individual project. It's really the ones that are these driving industries that are going to move the economy and the city forward that is key to us. We're also work on some overlaps and gaps. And so these are the things like the city storm water permit that affects staff in planning, Public Works, building, environmental services, that right now you've got multiple players that are working on it. And at times there's really not any one group that's responsible for the outcome. As opposed to a number of individuals responsible for their individual outcomes. So we're taking this as an opportunity to go back and look at some of those. So we've lusted examples of the grading perm, storm water, architectural review where there's some overlap that's going on. And we've got some things that are moving forward because of the state building codes that are coming in that require sprinklering of single family homes. Come January, that will be a requirement in California statewide. So we want to make sure of how we implement that, that we are really focused on the customer's needs about how to do that in a manner that minimizes multiple people, multiple costs. There are things like that that we're going back and look at the subdivision map and things like that to make sure we are addressing all of the things that need to be dealt with in the Muni code but doing it with the least amount of people touching it. So we're going back from that end of it. So going forward, I think the real positive in the customer survey is that it continues to recognize the quality of staff that work in develop service in the city, that it's a number of very talented individuals that are focused on getting things through the system. I think we're asking a tremendous amount of them right now, just that the amount of projects that are moving through, that kind of ebb and flow, what the staff that's left. So we've got a good foundation to build on that we are looking at places to continue to streamline our processes. And that the targets that we haven't backed away from the targets that we hold ourselves accountable for. It's one that we are a customer service organization and what's gone on with the economy and the turnover of staff and reductions of staff our message to the staff is we are still needing

to go through and do our best and meet those. If we aren't doing that what can we do to get there and so you'll see this same sort of thing this year from us.

>> Councilmember Pyle: Thank you. Are there questions? Sam.

>> Councilmember Liccardo: Just one, actually two, I'm sorry. Joe, thank you very much for the presentation. I appreciate your honesty. Yes, appreciate your honesty about the shortcomings in light of our staff cuts which I know have been very, very painful certainly for the city, but also for our customers. The -- the issue about the fact that the mix of work has changed, and how that has strained your staff in different ways, and there is -- I know you've mentioned in the presentation, it's also open page 3, does that raise the question whether or not we should be recalibrating the fees? That is, if the larger projects tended to be less labor intensive, per dollar, does that mean really what we ought to be doing is charging the home remodels more, and charging the companies in larger projects less? Given the way it's draining our staff?

>> Joe Horwedel: That is one of the questions that we're always looking at. Is we thought we had gotten that balance pretty good. And obviously, we didn't hit it as good as we thought we did. In balancing the cost versus what we deliver services on. We are under restrictions for under state law that I can't go through, and you know, say thyme going to put the -- my cost to serve homeowners on large commercial projects.

>> Councilmember Liccardo: Right.

>> Joe Horwedel: Is I need to be basically -- my cost need to be what it cost to deliver services. A lot of cities use a lot of means ever setting their fees that allow them to collect more on commercial projects, they use valuation for issuing building permits. We don't do that. We essentially use what you -- time and materials. The challenge is I think the amount of time that is not billable that we have in our system that makes our hourly rate really big. So when you have a \$200 an hour hourly rate, people's eyebrows go up. But that's a function of a fully loaded cost. That is everything from the supervisor to me to this building to you know the rest of the organization. So council has seen the chart I've shown on the overhead. Full cost where the dollar goes.

>> Councilmember Liccardo: Yeah.

>> Joe Horwedel: We're looking though at the fundamental part of your question, which is should we look at how we deliver service to our customers, and trying to go through and load a full cost onto the homeowner, where do you load those costs? And that's one of the things we're off looking at right now, is there a different way for us to bring those service and costs back together? Some it is -- is how we encourage or discourage people to go use online permitting to do stuff. Right now there really is no encouragement. So we're looking at is there ways of our fee structure that would encourage people to do their fee structuring online or simple permits online. We're looking at does it make sense to have an essentially Ph.D. engineer looking at single family homes? Probably not. But that is just how we staff things, that is right now in our cost structure. Do we go through and put you know how do we pay for our permitting system and rent and the building and things like that. Where do we assign those costs so today we have just spread them evenly. So today we're looking at things do we go through and spread them more about how they use the other resources? So it is something we're looking at this year because it is one that I think I've told the council and the committee before is that like in the building world, about 70% of our business is single family remodel right now. So I've really got a way for us as development services to you know deliver that service in a cost-effective manner. But you know I can't go bankrupt doing it.

>> Councilmember Liccardo: Right, and if your inspectors are out there spending their time hitting 12 job sites in one day, I recognize that probably, that travel time is something that needs to be accounted for in some way. So that way you know, the large employers aren't paying for the home remodels, either.

>> Joe Horwedel: Right and that's exactly it. So when do I like a 200-unit apartment building, I'm looking at 200 units, but I don't have travel time. As opposed to when I look at 200 remodels, I have 15 minutes of travel time on every one of those. So that's part of what we're looking at, is do we go through and set that a little bit differently? But the challenge is, we tried to go through and make sure we weren't subsidizing one customer group to another. I think that's part of what we're dealing with right now. But I certainly wouldn't want to go through and make it worse than where I am today.

>> Councilmember Liccardo: Okay. And Joe, last question, I know that presentation, annual presentation wouldn't be complete without me asking, how about that chess clock? Any closer? Who is the guy with the software? I want to know.

>> Joe Horwedel: It is one of the things when we cut positions last year, we did cut a number of positions in I.T. and our support services inside. So when I talk about the \$200 an hour hourly rate, one of

the positions we went first was whack positions that weren't direct service delivery. So that's part of it. There is a semi functioning version of it, I have seen it because staff came out the committee meetings, budget hearings asked questions, said where is it. So we do have one in planning that is kind of running. We have the one that's been using and building to do the checking plans in and out piece of it. It doesn't have a good report on it but we're actually using the data there so that's as far as we've gotten.

>> Councilmember Liccardo: I appreciate that you're strained right now. I know we're all trying to push in the same direction. I'm looking forward to that holy grail when we'll be able to look at these reports and they'll tell us from one year to the next how long our grubby mitts have been on the project versus someone else's.

>> Joe Horwedel: I mentioned the communications position. The second position we want to bring back is to bring into the department some other resources for doing programming and either web work as well as database work. Just recognizing there are discrete projects that we would like to get done that are very difficult to budget from a position level. But from a go, here's 20 grand, let's get this things done, that's probably a more cost-effective way to do it. So we're looking at being able to get some money set aside to be able to do these targeted things. It's just hard to do it the way we budget positions today.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: Joe, thank you, congratulations on doing a lot to increase efficiency. I think it's great that you're really focused on being a customer driven association, I think that's the key to it. I have a couple of questions. The \$200 an hour rate you were talking about, that's for, is that all services, that's the total cost?

>> Joe Horwedel: The -- we have a couple of blended rates. So the \$200 rate is what we charge -- right around \$200 for like a planner, what we charge for an engineer. So that includes everything that would support that position. The permit center we just raised it to --

>> 160.

>> Joe Horwedel: 160? The 160 which doesn't get us fully cost recovery but gets us a lot closer than it used to be.

>> Councilmember Herrera: I had a chance to experience hiring a plumber to take care of a backup in my house. I got to listen to this plumber talk to me about his experiences coming to the City of San José and permits and et cetera. And I've had, just coincidentally in the last couple of weeks, I have been talking to small businesses, because they know I'm on the council so they want to make sure they don't miss an opportunity to talk about their experiences. So a couple of you know questions arose, as he was talking so one of the big concerns and I thought he made some really good points. And it sort of correlates with your 70% remodel. I'm just going to throw it out here because I think it's interesting to hear people talk about what they're perceptions are. So he's concerned, he sees that the majority of business out here is small remodels, and all this business. And he's concerned that the city's missing out on business, because it's gotten so onerous for people to get permits, and the time is as much a concern as the cost. He gave examples of really inordinate amounts of time waiting for things to happen, and people having trenches in their yard, and instead of having that immediate ability to get that closed up, having to wait. And so his concern is that there's going to be more people doing things without permits and that we're going to be losing that business. You only need to look at the number of day workers and the rates. Because rates are being driven down both in more professional unionized kind of contractors as well as those who will work for much cheaper wages. You are seeing a real competitive drive on the price, right? So he's just really concerned that we're going to lose some of that opportunity. So I think I really think if 70% of our business is this market and eventually it's going to tilt right now it's that people are taking advantage and trying to do some of these remodel projects in a time when they can maybe get a cheaper rate on labor. I think we really need to drill down and make sure we got the cost, our cost down so we don't lose people who would want to come here and do this thing legally. It's a economic issue, it's a safety issue, obviously all kinds of issues. He also feels that in the past where we had inspectors you know more opportunity for people to go through neighborhoods and spot-work that was being done without permits, there's a general feeling out there that there's not as much attention to that so more of these projects that are happening that are not being caught. So I'm just kind of raising that concern and maybe saying as a priority I really think we need to find -- I like the web based idea. Just getting the cost of that down since it's not bringing as much revenue and it's a volume kind of thing where you're doing loot of these things, you're not getting that savings by having a big project in one location, I think we need to really drill into how can we do a lot of these things for a much cheaper rate. And that I 30 would help us in all the ways I've outlined, get more business in here which would obviously help our city, have more

projects that are going through the correct process instead of being done illegally, which I think is a real concern now out there. And so I'm real interested in, as we go forward, how we can really get to those costs, where we should be, and how we can get those costs down so we can be competitive and create a process where people don't have to wait three and four hours and days to get these things done because they simply decide you know I'm weighing this, is it worth my while to go to the city, or has the scale tipped to the point where I'm going to take my chances and not go to the city? That's what I'm concerned about on the smaller projects. I just want to commend you on getting the tenant improvement project or the SPI going again for the companies and having the line available again to put those projects through. That is going to just -- we already know that works, that's proven, and I think that as the economy improves, and it will, that we're going to see a lot more projects -- we already are seeing them -- come through there. So I think that's great. I'm glad that we were able to achieve the savings we did in the budget so that we can put more people back in the Planning Department and get those services back. So those are my comments and if you havefully kind of a question, an alerting on this 70% of our business, if you could address that I'd appreciate that.

>> Joe Horwedel: Well, the -- that is something that is of concern and we actually have a hot line that we created in code enforcement for both our code and building inspectors are out driving around for them to be able to call in and have staff back in the office see if there's actually permits on activity. And we do go through and trip across those and issue stop work orders and bring them in through code enforcement. We used to have a whole division of staff in code enforcement paid for out of building fees that did nothing but illegal construction. That did go away about a year and a half ago. It's a part of us scaling back. But we have not really backed off on the illegal construction because it is a problem that, especially in our more affordable neighborhoods, that the -- you know there's a lot more pressure, people are trying to go through and hang onto their homes so they're trying to mind a way to do that. And so we do have challenges of you know garage conversions going on, illegal units getting built and it is heartbreaking seeing what some people are forced to try to do to hang on. But it is, you know, also a life safety issue so we are pushing on that end. But as the customers you were talking to noted we need to be recognizing the price point that if a water heater cost you \$500 at Home Depot and another \$500 to get it installed, for us to have a permit that costs \$200 is quite a bit of a hit and worse if it's more than that. It is something we're looking at, to how do we find if our cost are in line with the actual work that people are doing out there so we don't price ourselves out of the marketplace. That's why we're looking at different service delivery to do that. It is something that you know, there's a lot more business that we could be pulling in for that illegal construction that's going on out there. The part of it is I think there needs to be some awareness of the consequences from the illegal construction both from the safety impacts that go on from -- people do die from bad electrical work or gas work that happens, especially in garage conversions.

But nowadays the lenders have really ratcheted down. Two years ago they would lend anything to anybody. And now that it's very difficult to get loans and they are going through and making people do documentation not just of income but of the property, they want to see if there are permits for the work that's there. And so there are a number of people that come in to us trying to legitimize work that's been done to properties previously. So part of it is working with the Realtor community about how we can go through and help their transactions happen faster by investigating some of that and working through that rather than that happening, as well as what it means when your house burns down and you didn't have permits, your insurance company is usually not too happy about paying off on things like that.

>> Councilmember Herrera: I appreciate that. I guess what I'm trying to say is I'm interested in the front end of capturing more of that business. I know we can go after the fact and find this illegal construction. We want to make sure that people don't look at us as it's such a difficult experience --

>> Joe Horwedel: We shouldn't be the excuse to not build.

>> Councilmember Herrera: -- dealing with this that we're going somewhere else. Or finding alternatives are not acceptable. So I'd like to understand at some point how much business we are losing because of this. It would be good if we had some sort of idea how much is going the other way, what that can -- what revenue loss to the city because of this and I don't even totally understand what the revenue we are generating right now, and I don't need all those answers right now, but I am very interested in kind of taking a look at those as a separate little part of our business, what's the income now, and what are we leaving on the table, and what can we do to bring that in here?

>> Joe Horwedel: The biggest piece of the revenue that -- where it would affect kind of the rest of the city organization is what's going on with construction taxes. Because those move into the General Fund

to pay for capital improvements and regular General Fund activities versus the service fees we collect to pay the staff that does the work. Those theoretically should be a wash so if somebody is not getting a permit for their water heater the money I would be collecting to pay for that permit would be for the staff to go off and do the inspection to make sure it was done right. Though we do collect a chunk of construction tax that comes with every one of those, and that is a part of our challenge. There's a number of things that we collect at the time of building permit, whether it's the City's construction demolition deposit, the construction taxes, building and structures taxes, all the things that build onto our cost. That is the challenge we look at being cost-competitive, we put a lot of stuff on those customers, too. So in some cases for us to be more cost-competitive, we need to exempt out stuff which we've done for like solar installation which means there really is no revenue to the city. It's just we're just doing a basic service delivery. It's part of that larger policy discussion I think we need to talk through.

>> Councilmember Pyle: Okay, Ash.

>> Councilmember Kalra: Thank you for the report, and I agree with some of the sentiments from Councilmember Herrera regarding not actually encouraging but not pushing people away from us. And again, I know that by no means is any of that intentional. I know that your department's been strained probably more than most in the past several months, and the prior year or two. But I think that a part of the -- of what we see is not necessarily simply the labor cost, I think people just instead of moving out and buying a new home and what have you they just don't -- they do smaller projects. And so I think we're not seeing larger scale projects because of that. And the question, well, it is a balancing act for them to determine at what point it's worth it for this bathroom remodel to go for this headache or should I get a guy do this anyway. I know it's hard for you to try to balance out at what point individuals make that decision, and it is not necessarily your responsibility to know that for certain. But I think there are opportunities like you mentioned you know online permitting where we give a discount and what have you if we know it's saving us time, then not only to offer it but to find whatever creative way we can market it and that can be maybe with some of the legitimate contractors that are out there that are aware of these programs and so on that say hey you know they're trying to get business as well can say the City of San José has a discount, I can take care of it, I can do it online for you and what have you. Just use some of the same folks that are out there to our advantage as much as possible. But I know it's a very tricky situation, and I'm glad to see that we have an opportunity to add more staff in terms of helping the wait times. I have gotten a lot of feedback in regards to that from folks that are in the industry, electricians and everything, and it's been frustrating for everyone including yourself I know and for your employees. But I'm glad to see we have an opportunity to add another service line in terms of tenant improvements and clearly that's incredibly important. And oftentimes you talk to companies, that's the most important issue, more than any other in terms of cost savings what you have they just want to make sure they can get in and get to work as soon as possible. I have a question regarding retail and particularly with restaurants. If that same -- and I know -- I agree with what you said, Joe, in that we have to focus most of our energy in the driving industries, and certainly those are the ones we should focus on, because they definitely bring the most bang for the buck in terms of number of jobs they create. But some of the retail around again particularly restaurants because they're the ones that need the Moss TI compared to other kinds of retail but it certainly would benefit us if we could get some of those restaurants up and open sooner than later, every week they're often it's an opportunity for more tax revenues revenue for us, also in that industry it is very competitive and very difficult, the more we can get them up and open and remove obstacles the better. What kind of program or is there a program that's specific to restaurants that can also kind of help speed up the process, the permitting process for them as they try to get -- as they generally open their facilities?

>> Joe Horwedel: We used to bring restaurants through our small business ambassador program, and we really found that it got them through the permit process fast and it slowed them down in the inspection stage because the plans that were done at the plan check stage didn't match what was really in the walls once they opened the walls up. And so they had to kind of slow down and redesign on the fly. So we've been spending more time with our restaurant applicants about making sure they're really ready to go, they've got a good designer who understands what needs to go into the space, that they've been coordinating well with county health so they're aware of the requirements through that organization. And doing some that through our coordinated review process where we'll bring all our team together to meet with their team. And so it's taking some of the facets of the small business ambassador but not trying to do it all one day in one sitting. That's where we were running into the problems. That's the strategy we've taken. We don't have a separate sort of restaurant team that really, for the amount of them that move

through, it's kind of like the fourth line for STI. We don't think there's enough follow there to sustain that. Back there in the boom days we actually looked at bringing county health over into City Hall. Even if we needed to pay them to be here, just so it would help with the coordination, we could get people through faster. It's not enough to warrant having them here. We do look at that because the headache kinds of projects that we have usually are restaurant projects. So from a reducing pain for the customer, reducing pain for staff, it is high on our list to try to find a different way around it. But it's, again, how to do it in a manner that's cost effective for our customers and for ourselves. And right now, that's where we're at, at the moment.

>> Councilmember Kalra: Yeah, and I understand the challenge and the volume as well especially right now due to the economy. But oftentimes for those businesses, very small windows of time in which they like to try to open and oftentimes they don't meet those windows, oftentimes they don't go into it fully prepared for what the process is as well. Let's thought say the blame lies on the Planning Department but understanding you oftentimes have these small business owners, much more complex than we recognize sometimes. For those that aren't experienced, and anything we can do to kind of get their doors open as quickly as possible, and that applies to other retail as well. Certainly to get the tax revenue in, but restaurants offer a unique challenge.

>> Joe Horwedel: Restaurants are probably the most complex thing that we deal with because it takes all of the trades are involved. You've got fire department is involved, you've got plumbing, mechanical, electrical involved, and usually they're going into an existing space and about half the time there's never been a restaurant in that space. It's not just building a new restaurant out in a park lot, that's easy. You are in an existing building, you are having to retrofit work around other tenants that are going on in that building. And part of it's discovery. So it is really our most challenging.

>> Councilmember Kalra: You have more challenge with some of the empty shells that big companies are going to, and you're just kind of starting from scratch.

>> Joe Horwedel: Yes.

>> Councilmember Kalra: Thank you.

>> Councilmember Pyle: Joe, I just wanted to mention a couple of things thyme worried about. One of them is exhaustion, on the part of all of your staff and yourself. I know many of them are doing two and three jobs, and they're doing it very admirably. They add a tremendous amount. I have never heard any negative comments about the quality of personnel that you have, it's just the system. And so one thing that we might be able to do to help is to print things such as the fact that if you do decide to at to your home, on your own, you suffer the possibility that any square footage that is added going back to my real estate days now is illegal and it cannot be counted as square footage and therefore the value of your home would not be as much as you think it would be so all of that work and expansion and the rest will have been in vain. That is probably something we could put in communications to our district in a nice way, just so that they know, many don't, they don't have any idea that that would not work in the long run. The other thing is -- maybe you've already done this -- an electronic calendar so that various people who know they're going to have a project, and it will become problematic on XYZ date, could let you know so that you could plug it into this electronic calendar, and advise the others that would need to be there in order to make it work. I don't know if there is such a calendar, one that would allow all those things to happen. But even though it would be personnel that would be less heavily paid, someone who is working part-time or something of that matter to help with the calendar. And then I'm happy that you put the coffee vendor in there, that's terrific. Because then, if people do have to wait, they can go have coffee. And he's even put a television in there so they can watch whatever's happening, the world cup. They're happy people.

>> Councilmember Liccardo: Hotels learn that if you put a mirror by the elevator, then everybody is happy to stand there and check their look.

>> Councilmember Pyle: So with that, I know how hard it is, the juggling and with this particular time of our cycle, the economy. Is particular tough. I think it's important for you to know we absolutely do appreciate, and I'm sure any one of us would be right here and ready to help out in whatever way we could. So with that, we need a motion to approve the report.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: Thank you. All those in favor?

>> Joe Horwedel: Madam Chair, on that, we would request -- we managed to not put it in the memo -- to cross-reference to the council, sometime in August, and the HCP we're doing August 10th. We need to -- it would be our goal to bring this in front of the council to talk about that plan.

>> Councilmember Herrera: Motion should include cross reference to the council.

>> Councilmember Pyle: Thank you. So all those in favor? Aye, that is done, unanimous. Thank you. You don't have to go very far, do you, because you're going to be doing the next report, as well, which is the --

>> Joe Horwedel: Darryl Boyd is joining me here.

>> Councilmember Pyle: Are you moving from the sublime, or the ridiculous to the sublime, or which way? The habitat conservation plan.

>> Thank you, madam chair.

>> Councilmember Pyle: That's the sublime.

>> Nice to be here to talk about some other than the baseball stadium. Just to provide a little context, Madam Chair, obviously you're well aware that we've been at this project a very long time, since 2001 for Joe and myself. And we're at a stage in the process where we're reviewing the comments on the second administrative draft document. We've received the comments from both the state and the federal agencies and we realize collectively, not just we city staff but staff for all the local partners, it is a good time to pause and reflect before we push into the time phase which we happen to do later this year in the fall and get the draft document out on the street for public circulation and comment. And so we've identified some issues, the questions are stated I think another the top of page 3 in the staff memo. They're repeated here in a slightly different way but essential the same questions. We as staff and all the local partners are questioning what are the costs, what are the benefits, what are we getting into, are there options we should be considering and so forth. Because the world's changed a lot since we first started on this effort and it's likely to be different as we go off into the future. So what we wanted to do today is we are longer on questions and shorter on answers today. So we are proposing that we would come back in August after staff has had a chance to do a little more analysis around these questions. But today we just wanted to talk a little bit about cost and benefits, whether we can afford the plan or not, what the cost to the city might be. An interesting question that came up is whether or not the general plan could potentially be, General Fund, sorry, could potentially be at risk and a really time sensitive issue is with regard to burrowing owl, the city's publicly owned land, using it for mitigation and recovery for burrowing owl. The first question is really, what's the city buying? What's the benefits that we make out of the plan. Obviously we talk a lot about these, a lot. Streamlining the permit process and so forth. But I would really call your attention to two or three in particular in the middle of this slide. One is that the habitat plan would lock in our biological mitigation essentially for the buildout of the general plan. No surprises, think of that in terms of it's kind of akin to a development agreement that once we entered into this contractual relationship with the wildlife agencies, essentially we freeze those regulatory requirements for 50 years. And then another important factor for a benefit for adopting the plan would be this influx of state and federal money that can be used for biological purposes. And we'll talk a little bit more about that later when we get into cost and funding. What the plan will not do is, it doesn't provide us with regulatory permits for say army corps of engineers permits or -- which would be the wetlands permits or water quality permits such as those we might need for the regional water quality control board. This is regulations dealing with biology. You may recall that there was a lot of discussion recently about fish. We decided to pull fish out of the plan to help us go forward more quickly and then obviously it is not intended to supersede local land use authority or the requirements under CEQA or Nepa if applicable. In the memo, I think it's under the heading of the scope of the HCP. The HCP is really two documents in one. We're dealing with the requirements of federal endangered species plan. That is something we would normally think of in terms of CEQA, mitigating the impacts from all our impact and our projects. The HCP goes a step further in the way we need to consider the long term recovery of the species. The essence being, if you have got a listed species, at some point in time. It's not enough to mitigate we also need to go beyond that. So one of the questions that has come up with the local partners is other jurisdictions, just an HCP if not an NCCP so that is one of the questions that we're are sort of wrestling with as staff. So in terms of other benefits, what we're actually buying, because of the HCP and NCCP requirements, right now the conservation strategy includes preserving 45,000 acres of new lands from willing sellers, this process away would also allow us to enhance 13,000 acres of county parks land. As well as if the open space authority were to participate, they would be very much akin to county parks. We get to manage the larger reserve system and then there's some restoration for wetlands and

so forth. The next slide deals with the components of both the HCP versus the NCCP and this isn't really necessarily a real bright line. It gets to be really fuzzy but in an attempt to try to distinguish whether we would do one instead of the other instead of both, of trying to break that down. And again on the HCP component side remember that this is really for mitigation. Whereas on the NCCP side it's more the conservation. And so we get more of the funding, the cost if you will on the HCP side would go towards managing the reserve system and less on monitoring. Whereas on the NCCP side there's less money spent on managing and more money spent on monitoring. And on the county parks and open space authority lands, they would really come into play on the NCCP side, because they can't be used by law for mitigation to meet mitigation obligations. And so it starts to sort of split up at least from land acquisition of 49-51 split. But again, it's important to note that if we just did an HCP the requirements would probably go up more in terms of the mitigation because it's sort of a very blended plan and there's sort of the economies of scale and the whole being greater than the sum of its parts. Right now agencies say that and our consultants say that for private development the mitigation ratio if we were to adopt the plan the way it's currently drafted would be about one to one versus if we did an HCP only it could be two or three to one or in some cases depending on the species eight or nine to one. And so there are some economies of scale benefits from doing the blended plan. So that's sort of the benefits. We can stop here and if you've got questions on benefits otherwise we'll launch right forward and go into more with the costs and how we're proposing to pay for it Madam Chair.

>> Councilmember Liccardo: One benefit question about the very first slide you brought up relating to -- sorry -- no surprises in assurances for 50 years and the locking in the biology mitigation. I appreciate the benefits here, but I'm also concerned about whether that's ideal in a world in which we know climate change and other factors, whether if species that we target to save today would be the same species we would have chosen 30 years in the future. Knowing we're in a very dynamic environment. I just but that out there.

>> Yeah, that's a very good question, thank you, Madam Chair. Actually the plan that it's currently written right now tries to do the very best it can with regard to the science we have about climate change and so forth. And there are essentially provisions built into the plan through adaptive management and monitoring and so forth so that even though we're locked into some requirements for this 50-year term there is the ability to sort of flex the plan as we need to, as we learn more about species and so forth. And so it's possible for the plan to be adapted to meet needs and then likewise there wouldn't need to be the considerations about the fees to pay for changes and so forth. But we try to go as far as we can, right now, knowing what we know with regard to climate change.

>> Councilmember Liccardo: Thanks, Darryl.

>> Mayor Reed: Rose.

>> Councilmember Herrera: So I've been in a few meetings where I've heard this discussed. It sounds like on the development side it would give some certainty to developers and might help us with a better approach to that. And in that regard which, can you tell me how it would be different, one versus the other versus blended? In terms of impact on certainty for developers? Or maybe there's no difference. I think I'm hearing you blend might be the smarter approach in terms of --

>> That's what we as staff want to look at. I mean that's sort of what we've been led to believe and perhaps seems to be the case. But I think over the next you know 60 days if you will that's something that we will want to take a real critical look at to really analyze that very question. Because on the one hand over the years there are a very small number of projects, whether either public or private in the City of San José that have actually needed a take permit from the feds or the state. And so there's some concern on our part whether we may be casting the net too wide, with this approach, and capturing projects that might not otherwise need permits, for instance. So there's some questions like that, that we don't really have the answers for today, but certainly share those kinds of concerns, and want to take a critical look at that very question in terms of what would be the advantages or disadvantages of, say, just doing the HCP. I mean, at this point it sounds like perhaps mitigation requirements may go up. It's not simply a matter of taking out one and the rest staying the same. Another -- probably another important consideration would be like starting over according to the consultants and the wildlife agency representatives that based on where we're at now in terms of preparing the draft plan, if we wanted to just do an HCP it would essentially mean we'd have to go back to the drawing board and start all over. So that's another one of those considerations we need to factor in, given how far we've come.

>> Councilmember Pyle: Anything else?

>> Thank you, Madam Chair.

>> Councilmember Pyle: Can I just ask one of quick question, go back to the previous slide for a minute. What does 22,950 acres of land look like? In other words could you -- I know the urban reserve --

>> 22,000 football fields. An acre is roughly comparable to a football field.

>> Councilmember Pyle: Yeah.

>> The -- I don't know how to tell --

>> Councilmember Pyle: Would the urban reserve even come close?

>> This would be, compared to Coyote valley, this would be about, away, about four or five Coyote valleys if you will. For the specific plan area. It would be about four or five.

>> Councilmember Pyle: 750 acres or something, thank you.

>> Yes, thank you, Madam Chair. So what's the city paying? And so the first slide here really deals with the HCP versus NCCP funding. You'll notice here on the funding versus mitigation side it is 56%, whereas the contribution to recovery is 44%. You'll notice on this slide that private development fees are by and large the largest development source, are public projects, you know, and again this is for city of Morgan hill, city of Gilroy, San José, Santa Clara valley Water District, VTA and ourselves would be the six entities that this is based on. The open space authority is on the fence. They're interested. They're somewhat concerned about how their land might be used, but right now they're factored into this as well. Actually, if I could hit the slide again, Laurel. So as we said before, there's certain funding sources and we have there in the memo, certain funding sources can only be used for certain things. So we can't use any of the state or federal grant money or like the county parks charter fund cannot be used on the mitigation side. So we have to be very careful about keeping that in mind even though we've got this blended plan that gets a little bit gray in the middle. But it would need to be considered separate. And like we said, the public development projects are public projects is really only 5%. So then with the next slide, then, so that was funding. This is getting into sort of showing the relationship between costs and funding, where land acquisition is by and large the biggest chunk of cost. State and federal grants would be a portion of that. As well as county park charter fund and then the open space authority. Again, that's where the money can really be used is on the land acquisition side, if we're setting up the preserves along with the long-term conservation, versus the public and private mitigation fees are much more on the mitigation side and the management side. So this gives you a sense of sort of the cost and the funding of where it would go. Total cost for the plan right now, I think we're still around \$800 million, aren't we? So we're down to 750. We had been over a billion, and it keeps coming down a little bit. So cost of funding. And then the next slide, Madam Chair, actually gives you some fee estimates for the City of San José. And this is total, public and private projects. And we're dealing here with just the three fee zones. Obviously there's the fourth fee zone which we've talked a lot about, which is the nitrogen deposition air quality fee. That is not in here because that's pretty much all ours, to a great extent. Zone A fee is for impacts to natural lands. It's estimated that for City's covered activities, which does not include the water pollution control plant, because we cut the plan boundary off at 237, because we didn't want to deal with the bayland species, so this is without the water pollution control plant, but about 1350 acres. The total fees, and this is over 50 years, remember, over 50 years would be about \$27 million, which divide that by 50, actually this should say average annual fees. Average annual fees for Zone A would be about a half a million dollars. Zone B, which is agricultural lands, pr lands that have been previous disturbed but are not developed, about 4700 acres, \$47 million citywide over the 50 years, which is a little less than a million dollars average annual fees, 28% of the total for the plan area, which is about 520,000 acres. And then Zone C is infill that would be primarily on the periphery of the city, where it's surrounded, say, on three sides by urban development, is a very small percentage of the overall plan. The City's got about 60% of that land and that would be roughly you know 36,000 average annual fees over the cost of the 50 years. So that starts to give us a sense of what the city is really signing up for long term based on our estimates right now. Madam Chair. And then the last issue in that regard is that under the natural community conservation planning act, there is a requirement for a stay-ahead provision. And that basically that as we are creating impacts, our mitigation needs to keep up with those impacts. You can't have all the impacts up front and then wait for 30 years before you provide the mitigation. So it needs to be roughly occurring at the same time. And there's a concern that's been addressed collectively. Not just by our city attorneys, but by legal counsel for the other legal partners, is that even though there is not a specific mandate that we do so, there is a concern that we could be putting the General Fund at risk if we have a situation where development's not happening or we're not getting the fees for some reason and so there's just a concern there that's really mostly a legal issue that needs to be resolved. And so that's another concern that we want to look at a little bit more, Madam Chair. I think with that, that's sort of the

last -- the last slide that we really had with regard to, say, sort of the cost and funding. So I don't know if there's questions, or if not, we can --

>> Councilmember Pyle: We have questions.

>> Of course.

>> Councilmember Liccardo: Darryl, with regard to the General Fund risk, the issue you just pointed to, if we don't don't have development happening, the good news is we don't have anything to mitigate, right?

>> That would be the theory, yeah.

>> Councilmember Liccardo: So where does the General Fund come at risk?

>> There is some concern about what our obligations might be, even if we don't have development happening. I mean, basically what we -- as we understand it, as I understand it, we're entering into in development agreement, this long term contract that at the end of the 50 years we're going to deliver a system that's whatever it is, 50,000 acres or whatever the number is. And so there's a concern that even if development's not happening, are we still on the hook to make sure that that reserve system gets into into place at the end of 50 years. And so that's, I think, really -- I think that's where the concern is at, Madam Chair.

>> Joe Horwedel: Maybe kind of as another piece of the puzzle, when we were showing the pie charts there was the land acquisition. But another big chunk of the cost was for monitoring the lands, and actually doing improvements on managing and monitoring the 23%, is that we do have lands that are in county park ownership, the city actually has ownership of some lands and we're doing management on them. But as part of the restoration piece by the N mitigation it's easy, you create an impact, you mitigate it. And it only happens when it happens. But one a restoration activity, you are out there doing like a wetlands restoration, you've out there over five, ten years of doing activities to creat that wetland, and then monitor it, and then make adjustments and keep it going so it gets established.

If you don't have any development once you kind of start into that you got to keep going. And so the requirements of the NCCP where you have this restoration able, it's not as can he clean to go through and say well I don't have anything going therefore I don't have to do anything. You're going to be in contractual relationships as a local partner, potentially into delivering these lands so that we do stay ahead. So our concern is to make sure that the plan is very clear that there is these cycles that happen, with development, and that we're going to try to go through and build a plan that has some flexibility to it, but there is a front-loaded plan, that there are a number of costs that are there day one, and we want to -- especially right now, there's not a lot of data 1 money from any of the local partners. So we want to make sure that the wildlife agencies understand that under no circumstances are the local partners prepared to make a decision to fund the HCP versus keeping a library open. That question isn't going to be a real question to ask so the plan is got to be real around that. So is right now, the way it's written it actually has what lead you to believe that in fact we would have that responsibility.

>> Councilmember Liccardo: Okay, that's fair enough. And I guess part of that of course, as well as not only wouldn't the General Fund be protected, but we also wouldn't be erecting billboards for McDonald's in order to pay for it, either.

>> Right.

>> Councilmember Liccardo: On the same land. As long as we're all clear, great.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Thank you, and thank you, Darryl, for all the work you've done on this project, as well as planning department and City Attorney's office has also been watching it closely, especially the last part of this as well as the governance structure to make sure we're accurately and fairly represented. And I think going forward -- I mean, first I think it's been a great accomplishment just getting everyone in agreement, it sounds, with the exception of OSA, which is still somewhat on the fence. The fact that everybody else has pretty much come on board, I think just -- and again, I'm come onto this the tail end of it, of a nine-year process. But it seems like just based upon the history that I've gotten that it's really been quite an accomplishment to get everybody where they are. And to be really in the final stages where we're actually looking at implementation and talking about some of the real practical issues now of what comes with that implementation. But I think that you and the rest of the staff have watched out for the needs and concerns of the city very well, and I think the way that it's been structured is in such a way that I don't feel it's overly burdensome to the development community but rather, as has been previously mentioned, gives some degree of certainty and you can even streamline some of the process as well.

And I think that that's really where it seems like somebody in the development community because of

that alone, that time savings and just the certainty that they can get some of the environmental work cleared as you mentioned the biological work but also I think it will help them streamline some of the environmental work as well. Given the fact that we work very closely with the federal agencies as well I think it will help them with the federal agencies as well. So I really do think in the long run this can be a win for everyone all around, and I think it's no surprise the amount of money, the cost estimates gone down, because this is probably one of the most -- areas of most concern I think for all of us and certainly for some of the South County cities, as well, is how much they're going to have to pay into it. And so I think that what we're doing is good, it's good for the community and I think that ultimately, am I'm not as concerned about the City of San José, City of San José has certainly been I feel going in a direction of being really much more responsible in how it develops I still think it's important that we play a strong role in this and ultimately it's the ability to create a plan that kind of keeps some checks on the other jurisdictions, which is really important. And I think that if we could be a partner with them in doing that, I think that's really what the greatest value to San José will be. Thank you.

>> Councilmember Pyle: Change your mind? Darryl, did you want --

>> There is just one more quick segment, Madam Chair. This is whether or not the city would be willing to commit our burrowing owl habitat land for mitigation and recovery, in the long term. This is just a quick slide and it doesn't show up as well as I might like but the green areas on this map, of which there are really only three, are where there are occupied -- where there's occupied burrowing owl habitat. We've spent an incredible amount of time and effort looking at the burrowing owl issue because frankly we think it's an important species even though it's not currently listed, we expect that it will be in the next 10 to 15 years. We've struggled with coming up with a conservation strategy that would be acceptable for the wildlife agencies. And essentially we're sort of -- I don't know, we're plan F or whatever, but it's sort of the last option that we have available, would be to try to use publicly-owned lands and have those committed in the long term for burrowing owl habitat. And so the next slide then gives us a sense of our estimates right now, we think we have in the city about 1350 acres, both private and public, western burrowing owl habitat land, and this does include the land around the water pollution control plant. Which North San José is like the prime area for owls. They just -- even while there's habitat in South County, they just don't seem to like it in the South county, for some reason. They like the northern end of the county. Based on our estimates, our impacts from our covered activities which again essentially the buildout of the general plan, now the plant is not a covered activity under the plan. So the areas that have been identified of interest, the habitat plan would be some number of acres around the plant, and obviously, one of our first questions is, well, let's make sure that there's enough mitigation land there for the plant's needs, before there would be any consideration for someone else to be able to use it. And so that's why the number of acres is still to be determined as they go through the master planning process. There is about 85 acres around the airport most of you know there's already owls out there. They seem to like them it out there. For whatever reason, I don't know, they're deaf, for whatever reason it's compatible. But it doesn't seem there's potential to augment that population. And so with the airport lands it would probably be more a matter of managing and monitoring, making sure that the couples that are out there, the pairs that are out there would survive in the long term and so forth. There's about 15 acres at the northerly end of Guadalupe gardens that was identified as potential burrowing owl habitat so that's another site. Another site that's sort of interesting and potentially may hold some promise is the closed landfill sites, depending upon their proximity to forging habitat, potentially could be used as a burrowing owl habitat as long as there's enough cap over the landfill for the burrows and so forth. And there is also a need to make sure that those sites are proximate to wherever the feeding grounds would need to be for the owls. And so the nine par site, which we're going to talk about I think some more internally, staff is going to talk about in the morning, the Hamilton landfill. So there may be some opportunities with closed landfill sites that we haven't explored fully yet. In terms of some issues that we haven't identified yet, in terms of committing city land to western burrowing owl habitat, obviously this is a scarce resource. We're realizing more and more there is not a lot of viability habitat land left. So the city should not underestimate the potential value of that land. One of the reasons why the plan's proposing to look at public lands is because the price of buying private lands is you know, a million to \$2 million an acre to by the private lands. And so we use need to keep that in mind going forward that we may be sitting on some assets. As we said, over the long term in the future we expect that future mitigation requirements are just going to get -- they're going to increase, to the point where there may be a requirement to create habitat. There are very few pairs of owls left in Santa Clara County. I can't remember the number. I think we're down to like 26 or something like that. But there's not very many left, and so there's a real serious concern about having them no

longer be here at the rate we've been going. As we said, though, an owl is likely to be listed in the next ten to 15 years, and there's also -- we just want to make sure that we have enough habitat land locked up for the long term to meet our needs as a city, both for, again, for public and private projects. We would hate to have that be an obstacle for economic development reasons if we can't mitigate for the owls. And so this is really a time sensitive issue because we need to figure out what to put in the plan that would go out into the public draft and for public review and comment and so this is sort of a time critical issue. This as well as the interact air quality impacts. So just to highlight, that's a concern with burrowing owls and I think the last slide we have Madam Chair is with regard to next steps. We'd ask you to accept this report.

As Joe mentioned, we want to cross-reference to the August 10th council meeting. Staff in the meantime, we will continue to verify plans, benefits, assumptions. Our goal would be to come back to you in your August meeting with some answers to some of the questions that we've proposed and some recommendations. We'll continue refining the plan and again, as a local partner collective want to be able to get the plan out on the street for public circulation and comment later this year.

>> Councilmember Pyle: You're nearing the end, Darryl, can it be?

>> We're sort of the last big phase Madam Chair, thank you.

>> Councilmember Pyle: That's great. Are there any other questions?

>> Councilmember Kalra: Move to accept the report.

>> Councilmember Pyle: Second.

>> Councilmember Pyle: Any other questions? No? All those in favor? That's unanimous. There are any questions from the audience? I didn't get any cards. I did get cards? Oh my gosh. I beg your pardon. I didn't see them.

>> Councilmember Liccardo: That takes my eye back.

>> Councilmember Pyle: Yes, we're on D-3. We're just in time for you Mr. Wall, come on up. Just in time, I almost messed up.

>> David Wall: Council, you never do anything wrong. I keep saying that.

>> Councilmember Pyle: Yes do I.

>> David Wall: It says I'm against the plan but I'm really for the plan with a creative modification and I'll direct this to staff initially. Would it be really helpful to have a sewer hookup moratorium and a complete ban on any residential housing for five years until you could ferret out any of the problems with your plan? I created a habitat plan of my own. I -- God sends his fruit-eating birds into my little orchard and they take samples and report on the quality. But there was a protected species that's not listed in the plan that is imperative, all kidding aside, to our country. And that's the protection of honey bee habitat. Now, this honey bee habitat is really flexible. This could be a ministerial type augmentation, to relax municipal regulations on apiaries, so that is something to think about. But the sewer hookup is something that should be looked at because of the water supply issue that we're facing, and also for the guaranteed increase in property taxes with the sewer hookup moratorium, all existing property values could be reassessed upwards. And that's something to be taken into account. I mean, could San José, in my opinion, it could, be the next Beverly Hills? Why not. I like the idea of spacious houses, nice neighborhoods, quiet neighborhoods, less congestion, and of course, God's fruit-eating birds coming into my apricot, plum orchard. Thank you.

>> Councilmember Pyle: David, don't go very far. It's time for open forum. I accepted the report -- you moved, you seconded, we already did that. I think I had a long week.

>> Councilmember Liccardo: I think we should ask, is there anyone that wishes to reconsider our vote?

>> Councilmember Pyle: Yes, is there anyone that wishes to reconsider their vote? We're ready to move on. Open forum.

>> David Wall: Let's make money for San José. I have a few ideas, I want to speak on them. Ministerial duty, you folks have it. The issue on electrical panels. I talked to the person from western electric or whatever, he comes out putting on these smart meters, I may have the contractor's name wrong. And I've asked him just off the cuff, what are you saying about electrical panels? And he just shakes his head left and right. Because there is a varying spectrum how old these things are in relation to technology. But more poignant aspects to fire danger, which our great director can speak more than I can on that. So this would be a long-term thing to make it mandatory to change these panels out, whatever the code folks, whatever the experts say how long these panels last, to standardize. But then you could construct funds from these fees to go into the attorney's office or to code enforcement or building as opposed to just going into the General Fund and be frittered away. So you would have stability and growth built in for all your overhead cost. I mentioned less about blue grass festivals, professional barbecue circuit. These things

make money for a lot of different areas. Here is another thing about zoning. R-2 zoning, throughout our districts and throughout our city, you have these pockets, that have these old R-2 zonings. People look at them to buy, not to fix up for single family homes, but to carve them up for rooming homes. I think each one of these and I would like to see this retroactive, each one of these little rooming home things on a public safety basis because of electrical and fire and code and illegal editions, each have a permit, each individual room have a permit.

Now, this goes a long way into stabilizing the cost throughout the city. When you start charging each individual living unit for the cost of them being here in the city. But even more so, to standardize the safety aspects from the building side of the ledger, which our honorable director could far more expound than I can. But it is a very big program, especially in District 3 because councils -- previous councils have turned their eye and said it's easy to grandfather in these things. These things are fire traps, they're slums. And the property owner takes advantage of the people who live there and the property owner has the wherewithal, because these are business and/or corporate entities that are getting away with murder in the city, sometimes literally, by not having this system in place. And I think it would be a great way to solve public safety and create a stable funding stream and to bring up the quality of not only life but of environmental life because of power and water usage and all that other things that flow from that. So my two minutes are up. Thank you.

>> Councilmember Pyle: Thank you, Mr. Wall. With that are there any other questions, announcements or anything? With that we are adjourned.