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City of San José Community and Economic Development Committee.

>> Councilmember Pyle: Good afternoon everyone. We're ready to begin our Community and Economic Development discussions. So we're going to begin by referring to Paul for the work plan. Good afternoon.

>> Paul Krutko: Thank you, Madam Chair. For today's work plan, I think it's -- as you can see on your agenda, there really isn't any changes, other than we are noted that we'll come back in the fall when it's ready, just the report for the incubators. We need some more time on the sign code update as well as the PDO. Those will both come back to you in the fall. I did want to share with you and the other two members, actually the other three members, that as you might imagine, I do have regular meeting with the chair about the committee work plan and the direction we're going. And one of the things that we thought would be good, and I'm in the context of reviewing the work plan, is when you see the work plan for next year, we're going to add an item -- for next fall, excuse me. We're going to add an item which gives me some latitude to give you a general update on good things that are happening or things that we're working on. As a way -- and I think I'll let the chair speak to it herself, but she felt it was important in terms of the context of our work and where we are in the recession to do that. So give you a flavor, I'll just give you a flavor real quick of what kinds of things we might talk about in something like that. For example, in the area of downtown, you know, we've completed the entertainment zone policing model per your direction, the cost-sharing model has been negotiated, and we expect that's going to save the city approximately \$585,000 a year. So those kinds of things will come, maybe take five minutes or so at the beginning of the meeting to talk through -- an example I know the chair was interested in, we had an opportunity, and it was completely paid for by the conference sponsor, that Kim represented us at a world investment conference in France. She was able to meet with several companies that were actually interested in making an investment in San José. And so we're following up on that. She did an interview with La Tribune, which is the daily newspaper in Paris, about San Jose. And again, this was completely paid for by the conference sponsors, because they were interested in having San José represented at this conference. We said we couldn't afford it. They said, you know, "We'll cover those expenses." I had an opportunity to deliver a paper with Barcelona and Milan on regional economies at the conference at Raleigh Durham a few days ago that also had good turnout. Businessownerspace.com, we are up to having served over 70,000 businesses in terms of accessing our Website. So what we'll do is, we'll create a little bit of these kinds of bullets. We'll give you a copy of what we talk about to the degree that you think it would be useful in some of the people you're talking to or whatever. But I think it was -- I'm not just kind of shining on the chair here. I think it was a really good idea. There is a whole lot of work that we're doing across the development service partners, and there really isn't a way for that to get out to you. So the idea you'll see on the agenda, we are actually going to create space for that, sort of a general report on where we are with development activities, as a regular agenda item. So I just wanted to share that with you.

>> Councilmember Pyle: Thank you. I really appreciate that. And I just happened to be looking and getting some information ready for my trip. And one of the -- just three little factoids came to mind. One, San José that is most fortune 500 companies in the Bay Area. And that's according -- with per capita measurements, and also leads the nation in patents, and accounts for 59% of all Bay Area exports. I think it's important for us to all remember these good things about our great city. So we'll begin by saying that we're going to start with 3.1, it's the consent calendar. But we will be dropping 2.1, 2.2 and 2.3, because they need a little more cooking. Little more incubating here.

>> Paul Krutko: Correct.

>> Councilmember Pyle: So those will be coming back to us. So with that if I could have a vote on approval the work plan.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All those in favor? Thank you for that unanimous vote. So we will begin then with major league baseball. Eagerly stepped up to the microphone.

>> John Weis: Madam Chair and members of the committee, John Weis. And Paul and I will be giving forth on this presentation, but I also wanted you to make sure that you understood, the team that we've assembled for this, Lee Wilcox from City Manager's office, who works with Paul, Dennis Korbiak, who is from the Agency, Kip Harkness and Ruth Shikada, and they have been working pretty well tirelessly for the last month and a half on this. But as you now know, we have a bit of a time reprieve on this, and so I think that's all very good. Because we have been working pretty well straight ahead, had our consultant working straight ahead, and it's going to give us time to really reflect on some these works that we're

doing, and just spent a little more time on them. So we're actually very appreciative of the possible delay or the clear delay, and although we don't know what time they're going to select for the election, it does give staff quite a bit more time to do there. But what I want to do is use go over for you where we've been, and just give you a report, and then really a dialogue between us and questions back and forth about your questions about where we might be going, okay? So the -- just going back, we -- on -- there really was only you know, two and a half months ago that we brought forward the council direction of staff to assess steps to be undertaken, and prepare a site for Diridon, and also direct us to return to the CED, you, in June to provide a status report on its effects. On the 19th of May we established the good neighbor committee. And what that's done is, we've had already our first meeting, which was on June 10th, and Councilmember Liccardo was there, the mayor, and Councilmember Oliverio. And it was very well attended. I don't know, 31, I think of the committee, plus 20 or 30 people from the neighborhood, who were there. It was a lively discussion. People got very much into it. And then our subsequent meeting, which was really last Thursday night, we held a walking tour which was very well attended by the press, as well, obviously. And that, we had maybe 30 people, again, on the walking tour. And we not only did the site and showed where the new Diridon station was coming, but also, meaning the high speed rail station, but also, looked at the BART station and the ballpark site, and then also looked at the neighborhoods that were adjacent to see the kind of impact that might come from a ballpark or attendant development and how that might affect the neighborhood. That was well attended by those groups. We have two more meetings scheduled, one more walk tour which is Thursday this week and two future meetings in July and August. And the scope or the agenda for those will be informed by these two walking tours, and also, what we begin to learn. The good neighbor committee has got an e-mail addresses and updates, Kip, Eva and Lee are in charge. And can you click on this, and we'll show you, if you're curious. So we're going to see if she shows -- we -- you can click and see the website that shows it, so this is what we have on our website right now. And it gets updated, you know, on a daily basis? On a -- yes, it gets updated quite regularly. And it keeps people in -- and so one of the things of course is the delay of the votes, everybody needs to know about that, so we'll put that on this and let people know about it. See if you can get out of that. So the two major studies that we're working on now are looking at the -- an addendum to the environmental impact report, and also, an economic impact report. We were really pushing hard to see if we could get those done by early July. We really do want to take some time on these now, and ensure that all of the -- all of the issues that need to be analyzed, especially information that we're learning from the committee itself, are going to be looked at. And so these will be somewhere in between mid summer to early fall when they'll be ready now. But still, fully six months ahead of when any vote would occur on these projects.

>> Councilmember Pyle: John, we have a question now about that particular item.

>> Councilmember Kalra: Thank you, chair. On the EIR addendum, I know there has been a thorough EIR of this site. What is the addendum going to be most focused on?

>> John Weis: Well, actually it goes through all the elements. So it looks at archaeology, it looks at history, it looks at geology, it looks at all those things to determine whether this proposal which is 13,000 seats less, has any further adverse impact on environment. But clearly, the issue which has come out of the good neighbor committee and clearly what has come out of this report is traffic and parking. And a subset of this report, a subset of the work done by hexagon is underway and is looking at both of those things.

>> Councilmember Kalra: And is it also, in terms of the rail station and so on, is that something that's also being taken into account or --

>> John Weis: Because those are not yet projects, those are not technically taken into account. However, they are being looked at, and thought through, that in fact they will have an impact. So that what we've asked the consultants to do is say, well, if those occur what will that do? And generally speaking, at this stage, we expect we'll have a decreased demand on traffic and a decreased demand on parking, as people in fact use light rail -- excuse me, light rail, heavy rail, and BART, in order to get to the stadium.

>> Councilmember Kalra: I recall the original -- the original EIR had a pretty extensive traffic analysis. So this is going to be taking a look at that again, but just with a smaller stadium essentially?

>> John Weis: That's right, that's right.

>> Councilmember Kalra: Thank you. The -- one of the major aspects of the -- of our work in Diridon and downtown has always been the extension of Autumn Street, which from a geographic point of view, really would go from Coleman down to Park, and would require new construction in most of the way as it came

down. It's a requirement of the downtown EIR, in order for the downtown to expand to the number of housing units we want to see, in terms of the number of offices we want to see in retail, that Autumn Street is required. The agency began work on Autumn Street last year. It's in our budget, at least the first phase is, in order to move forward with acquisition and design. So we're about 65% through its design. And we've begun the acquisition project. Now we need to look at the second and third legs of autumn street in order to get them done in time. It is really one of the critical items for us. And we expect that probably we'll begin the second phase work within a very short period of time. When I say work, staff work, not construction yet, in order to look at the design and another kind of ambiguitying things that we need to be concerned with. It clearly is one of the more important things we're dealing with. There are -- I think the initial EIR had four or five intersections that needed mitigation. Some of that work was widening the crosswalks, so that as you can imagine, allowing more than just an eight-foot-wide walk path but widen that perhaps to 20 feet at Delmas and park and Delmas and San Fernando and other such improvements. Those have held generally and we think in the secondary addenda, but we haven't finished all that yet but we think that it certainly hasn't expanded. And so it looks like the amount of mitigated kinds of intersections is relatively minor. So that -- oh, yeah, I'm sorry, we're in the process of applying for upwards of \$9 million of federal funds for autumn street. And in order to do that we need to do NEPA so in fact we're bringing a board report next week, tomorrow, for the NEPA contract with David Powers and associates, in order to clear that so we'll be ready when the \$9 million is coming around. So that's really an important thing for us so it can assist our budget.

>> Paul Krutko: Okay, so I'm not sure how the slide's going to work. Generally you know I think the committee's very familiar with the planning area. And I think Councilmember Kalra, you know, in terms of asking questions about what's in the study and what's not in the study, this is obviously a key opportunity for us as a city, that if it's significantly more than a ballpark, in the sense that with the introduction of high-speed rail and the ultimate location of BART's connection at this site, as well as the current light rail and other transportation systems, we have a unique opportunity to create a portal to lower downtown and our central city that's probably unmatched in the United States. So as we do this good neighbor effort, it's important to understand that the good neighbor effort is significantly more than a ballpark study. It is how we intend to work together to really maximize this opportunity. And clearly, the key thing that we will be focusing on is your development professionals, in partnership with the community and other stakeholders, is the space between the key assets. So this kind of shows that, that you see the location of -- so we're sort of oriented I guess this map is East, to the top, so you can see that the location of HP and then where the ballpark is, and then, at the bottom of that sort of box is where the Diridon station is. Within that site, we have an opportunity to create a location we think is what at least some of us in terms of our initial thinking is, a location that is going to be rich in sort of excitement and vibrancy. I don't want to go too far here but something that wouldn't be with electronic signage, with great deal of light and color and vibrancy. We've talked a little bit internally and if there is a place anywhere in the city where you would take sort of those handcuffs off to do something that is very exciting and dynamic. And so we're really, I think, as a team. We're look forward to looking at this. We have to share with the committee internal staff very high level meeting, biweekly now. And we are carefully going through and discussing this area, and what our next steps are and what we need to be mindful of and what we're working on. So we're just again sharing with the committee that it's very rare, in a professional career, and I think John would agree with me on this, that you would have the opportunity to work on a site in your city that has as much potential as this site has. I think the staff is very energized by that opportunity and also, quite frankly, by the fact that there are resources to do things of scale that eight organizations, if certain can be worked out, are willing to bring forward significant capital to build a new building in our city. That high-speed rail would create an opportunity for us to create a world class rail station like many of us have visited elsewhere in the world. And I always stress in those meetings that we need to recognize and take care of the fact that we did an excellent job with building HP Pavilion, and SVSC has done an excellent job in managing that asset for us. It still holds up very, very well and is, I think, the fifth best venue of its type not only here in the United States, but in the world. And so we want to work very hard to make sure that it's integrated and dealt with very well, and then how the other development sprinkles into that is going to be the key. So that was really what we wanted to share with you now. We are very much looking forward to this opportunity of working with you and all the stakeholders to really doing something special.

>> Councilmember Pyle: Questions? I think you did a good job of answering them all. Thank you very much. And so we're ready to move on now with another exciting adventure happening, and that would -- oh, I'm sorry, we have to accept the report. Moved and seconded. All those in favor? That is unanimous,

and we are ready now for our second exciting part of the day, which is -- thank you for the reminder. Appreciate that. Mexican Heritage Plaza. I could have sworn I saw Teresa Alvarado here. Yes, there she is.

>> Paul Krutko: Computer is here, as well.

>> Councilmember Pyle: So with that, we'll begin that part.

>> Peter Jensen: Peter Jensen, General Services Director. I'm actually going to defer to Teresa Alvarado, who is our partner with Hispanic Foundation Silicon Valley and let you know what's going on.

>> Teresa Alvarado: Thank you so much, Peter. And Chairperson Pyle, Councilmembers Kalra, Herrera and Liccardo. It's been a real pleasure to work with your staff, and just as Paul was talking about important facilities and buildings in our community, and managing them well, I really want to commend the City for managing the Mexican Heritage Plaza building incredibly well over the past year-plus. They've done a tremendous job making the facility, beautifying it, making it accessible, really being on hand to work with staff. So I just really want to thank them for that. You know, as the city was trying to determine what to take place at the plaza, post-Mexican Heritage Corporation, we were invited to come in and partner with the city and be an independent convenor, and we were very happy -- we, being the Hispanic Association of Silicon Valley, we're very happy to do that. And so over the past fall I partnered with Peter and Kim and Alisa and Randy to interview some prospective facilitators, consultants. We found a great team, Laurie McDougall and something Retzenbach -- Juliana, yes, Juliana. Not an easy name to remember, but they're an amazing team. We all were unanimous in our praise for them, and we have since met with Laurie and are continuing to be impressed with her planning and her understanding of the process and understanding how to work with the community. So we're eager to see that process kick off. The delay has been in securing the funding. The Hispanic Foundation committed to securing funding to pay for the facilitator process, and we were able to do that over the course of several months. We're very grateful for the support of the Hewlett Foundation, the Packard Foundation, and the Castellano Family Foundation. And with that, we're able to launch the process with the steering committee. Those members have been patient. They're eager to get started, and I think it will be a very productive process. The one thing I would note is, the Hispanic Foundation did secure funding for the amount of the proposal that the consultant submitted. So there aren't funds to, you know, add more of a workload to her proposal. So I just want the council to keep that in mind as we go forward. I think it's -- the proposal and we've talked about her work plan, it's very comprehensive. I think it will get us to where we want to be which is developing a business plan without starting over. And that was very important to all of us is that we made sure that we respected the good work of previous consultants and utilized all that talent and energy that went into those and made sure that the steering committee were mindful of looking forward, and kind of starting from a baseline understanding. So I think they're going to do a great job. The facilitator, we have a lot of confidence in her and I again want to thank the team here for their work with us. And happy to answer questions.

>> Councilmember Pyle: Sam. I'm sorry, Ash.

>> Councilmember Kalra: Thank you. And I just wanted to congratulate the Hispanic Foundation and thank you and thank the Foundation and your work, Teresa, in getting the funding and helping and partnering with the city on this project, and Peter, also, for your work in certainly moving this project forward. I just had a question that either of you may be able to answer in terms of what the time line, the process is here on out, now that we've identified the facilitators, and so where is it going to go from here?

>> Peter Jensen: First meeting we are hoping to schedule the first two weeks of July. And the facilitator's time line would have the process finished by the end of the calendar year. Pretty aggressive but she thinks we can do it.

>> Councilmember Kalra: Good, thank you.

>> Councilmember Herrera: I just want to thank Teresa Alvarado and the Hispanic Foundation for the good work, and the staff, and finding a facilitator and moving forward. This is a very important cultural aspect to our community. Not only for the Hispanic community, but for the whole community. So I look forward to seeing that facilitation process emerge and some great things happen with the project. Thank you.

>> Councilmember Pyle: I'd like to say, too, that I'm blown away by Juliana's credentials. She's amazing. Absolutely amazing. I'm not sure where you found her, but I'm glad you did. And I did basically want to talk about the major components of their job, her job predominantly. So she is going to be effectively the strategic planner.

>> Laurie is going to be the lead with Juliana her partner.

>> Councilmember Pyle: Okay, it has to do with programs and operations new and/or existing?

>> And it's really not programs from the standpoint of what kinds of programs, it is more what is the right type of programming for this unique facility and the different components of it. There's office space, there's a garden, there's a pavilion, and they are really expert, this team at identifying what the right program is for the space and then secondarily how you might get cost-effective. They are all about the financials and making sure that a facility is running you know in a sustainable way.

>> Councilmember Pyle: And then also the financial analysis and business planning, for arts and culturally organizations. So they've had that experience and I'm sure putting all of that into this would help to make a huge difference. I couldn't help but notice too that it had experience in selling cosmetics, nationally known cosmetics. Now, if you can sell cosmetics, you're doing all right.

>> We have a refill component, right? (inaudible)

>> Councilmember Pyle: Thank you for all the hard work that you've done and the progress we've made, and I think we're going to see a huge difference. The main thing I just wanted to end with was, they also have the ability to go out and identify people in the community so that they can increase the amount of money that will be donated to the organization.

>> And we should say that the Hispanic Foundation has already established a Mexican Heritage Plaza fund, that individuals can contribute to already. We're holding it in keeping for the new plaza operators whenever they're identified, and without fees by the Hispanic Foundation. So we are just keeping that as a separate fund, and we will continue to make people aware of that option for them.

>> Mayor Reed: Great, thank you so much for your report. May I have a motion to approve?

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All those in favor? Great, unanimous support. Thank you. We're ready to move on now to our next -- momentary lapse here -- which would be the North San José, Edenvale, and downtown development update. That sounds like a lot to think about. Leslie can do it, however. Welcome, Leslie and Nancy.

>> Thank you, welcome. Okay, Nancy. Chair Pyle, members of the committee, we are here today to provide you with an update on our outreach attraction and retention activities for North San Jose, downtown, and Edenvale. We'll also be giving you a citywide overview on some of the more pertinent data that we have. We want to start off by saying that in spite of the continued economic downturn, we have some really good news to present. There is a lot of retail activity occurring in the city, maybe on a smaller scale, but it's still a good sign. I think that people are still going forward with their expansion plans and expanding retail and also expanding, obviously with, clean tech. So we wanted to start off by giving you the serious news first, which is an economic overview. Nancy's -- you have to go to -- (inaudible)

>> Thank you. Going to give you the quick overview here. On the good news, we just completed a really exhaustive analysis of retail vacancies in the NBDs, and as you can see, many of the NBDs are actually holding their own and not doing so badly at all in terms of retail vacancies. Winchester, the Alameda, we have new businesses as you'll see opening up in these areas: Story and King, single digit is good. So we feel very confident that these areas are going to continue to grow and expand. Japantown is lagging a bit. We are doing -- hopefully we are going to be doing a couple of facade improvements in Japantown that I think will help, and also, I'll be talking a little bit later about other activities that we have going that will help retail. But you can see that these numbers are not so bad. In North San José we're reporting for all product, all real estate product, a vacancy rate of 22%, Edenvale 20%, downtown 22%, and downtown retail vacancy 10%. And always being the sobering news is, the MSA unemployment rate is currently, as of May 2009, 11.2%, and we do have one of the more higher unemployment rates in the nation.

>> And just a quick add-on to that, in terms of a different cut that the councilmembers might be familiar with, citywide office is standing at 18.6% vacancy rate, the R&D is 19.1, and warehouse is still one of the lower at 5.4%.

>> As you can see, on the next slide we have a list of the retail businesses, many of them are restaurants, but a lot of them are retail, that have opened in the last year. I think this is really indicative that people still are positive about entrepreneurial opportunities in the downtown. Again, many of them are restaurants. But we feel confident that they will continue to do well with that. I'll be talking to you about some of the activities we are doing to help our restaurants in the NBDs in the downtown. Next slide, we have some really good news, obviously. Safeway is doing their tenant improvements. They are hoping to open sometime this summer, 2009. This will be 24,000 square feet of their new lifestyle market store in the 88, the ground floor of the 88. Also, we have a retail women's dress store coming online, Ross Dress

for Less, which is slated to open sometime in October 2009 in the former Black Sea Gallery furniture space. We have other businesses that are expanding, too. La Victoria New Food continues to open in the downtown. Also I'm hoping to report out that love's cup cakes is -- says they're going to open. They'll be baking those cup cakes on June 27th. So we're real happy about that. They had a lot of delays, obviously, but we helped them get through it, with both the city permitting and the agency. So keep your fingers crossed. In the neighborhoods, we have a lot of new business opening, too. And what's I think really interesting about Japantown is we had these really unique types of retail. Just to let you know, if you are not aware, State of Grace which is listed up there is a very high-end tattoo parlor. By appointment only. There is no sign on the -- they're on the second floor. There is no sign. No signage at all. It's by appointment only. It is a very high-end operation. But I'm sure that can I get anybody who's interested a really good deal if they'd like to go down with me this summer. We have obviously a lot of good things happening out in the NBDs. In Winchester we've had a number of new businesses and Councilmember Constant has been very happy at the involvement of the businesses. It's increasing, a lot of momentum out in that area, and we're doing the Winchester enhancement strategy, which will be completed this summer, so you'll have that to review probably in the next few months. Also, we're continuing to do -- support retail expansions in these areas. New retail continues to be added. Winchester Boulevard at Williams, Story Road, you can see these are all new construction, and these are underway. And so we're very hopeful that these will be tenanted, and we will have new retail to add to these neighborhoods. With that, Nancy is going to give you an overview of citywide retail that you'll see here.

>> What you'll see here -- thank you, Leslie -- is a substantial list, and there's actually couple more big projects that should be put on here, of projects that are moving forward. From Valley Fair, we don't know the date that they'll actually move, but in dealing with Scott Valley, that is still very much the intention for the approximately 600,000 square foot expansion. @first, as you know, with a Target and other stores up on North First Street. And I won't read through all of them, although it's important to note that the list should include two Ely Rinehart owned -- ownership properties, one in District 8 for Evergreen, and the other on Almaden in Pyle and Chirco's districts. So there is a substantial amount of large-scale projects that are moving through, that would be a combination of larger format retail and smaller retail that will add to the City's base, and it's important for economic considerations, especially now.

>> With that, we're also continuing with our facade improvement program. There's great demand for these grants. A number of businesses in the downtown and in the NBDs and property owners have submitted application for facade improvement grants, and this is the list of the improvement -- facade improvements that we have underway or have been completed. On the next slide we have a list of different incentive programs. And what I'm passing out to you today is a matrix that lists all of the cities and agency business assistance programs. So that you have a snapshot of what each program provides in terms of assistance, who the contact person is, and we're able to give these out to local businesses whether they're high-tech or whether they're retail. We can make these available to you if they're of value to you. We can just call our office and set -- Adrian Simpson is out in the audience, you can call her and we'll have copies sent up to you. But the enterprise zone continues to be increase in demand for hiring tax vouchers. This month alone we will be completing 300 vouchers for local businesses. The small business retail loan program, even though we've only approved four loans to date, we have 34 active applications that are out. Now, we sent a lot of applications out, and I asked our loan program officer why we're not seeing more returned. And he said fundamentally, as he meets with businesses, they're very reluctant and scared to take on more debt. Even though our loan program, the terms are very good. Three percent, \$50,000 at 3%, very flexible program, it's streamlined, and we're able to respond quickly. The difficulty is that a lot of businesses are very reluctant to take on that debt. On the signage grant program, this is our second most popular program. We have a number of requests for signed grants. We take them in the order that the applications come in. The sign grants are available for businesses, retail businesses in the downtown and in the NBDs, and also to industrial businesses. So we've done a couple out in Edenvale, we've done a couple in North San José, and the demand is increasing. These are \$12,000 grants, again we try to streamline the process, get the money to the businesses, it helps enhance the overall look of the businesses. One of our business that just got a sign grant, blue chip restaurant downtown sent us an e-mail, he's very happy. The first day he had the sign up he had ten new customers come in and he asked them how they heard about the restaurant and they said, well, you have a sign that says, "your restaurant is downstairs." It's on first street, it's downstairs and he never had a sign. He recently booked a corporate party for 150, I'm hoping his occupancy is that, but he's very leap. You can see the different that a sign makes, right, for a business. This is a very good

program. The other program that we launched this year just a few months ago, we brought on a restaurant consultant who is available to any restaurant in a redevelopment project area. She has now met with over 15 restaurateurs in the downtown NBD areas, SNI areas. Four hours of free consulting is available to every business. She provides them with a written summary of her findings and recommendations, just hits the high points. And the other thing we've asked her to put together which will take place on June 29th, I have a flier out, is a restaurant boot camp that will be open to any restaurant or someone interested in opening a restaurant in the redevelopment project areas. We have the city as a co-sponsor of this too because we're really not going to turn anybody away. But this boot camp will cover, we feel, our really critical pertinent areas that are important to restaurants. We're trying to strengthen them so that they have every opportunity to succeed before they open the doors and while they're really trying to get through these really tough economic times. So you can see that I think that the session are pretty targeted. Food costing, 21st century marketing, which is so critical now. I think most of our restaurants really do -- do have a disadvantage because they earmark so little money for marketing. So there's lots of things that they can do that don't cost a lot of money and hopefully they'll be able to learn through this restaurant boot camp.

>> Just two quick notes on connecting additional dots. One is on the sign code update, very much want to reference and you've had that before you and you will again the importance of sign and our expanding our view of signs particularly around retail and auto. So that's an important note. And on the enterprise zone, just a small story. We actually began the expansion of the enterprise zone really for Tesla. And while Tesla didn't go through it was a wonderful thing that if we had not done it in that time frame we may not have gotten it. It is one of the examples of the agency and the city work together, although they don't connect the way you thought they would they still have a good result.

>> This is a report -- this slide reports out on our retention visits businesses. We have made visits to 40 retailers in the NBD, 25 in the downtown. With OED we have a combined number of 205 visits to driving industry companies. These would be primarily in North San José and Edenvale. Our target is 300, and we have two weeks to go, and we will make that target. We have made over 50 visits to downtown office tenants and we have done 5 presentations to commercial industrial brokerage offices and in doing that we have connected with about 150 brokers in the community. We also do presentations to the developers, we do it with NBDs, Nancy just made a presentation to clean tech, I think it was an entry association, right? And then Kim Walesh and I did a presentation not too long ago to a relocation organization conference. So anything that we can do to get the word out about San Jose as being a location of choice, we will take that opportunity.

>> And just a quick add-on there, too, in terms of the economic development strategy update, there are significant meetings going on again in tandem on -- with commercial Real Estate, residential Real Estate, Work2Future, Indo-American leaders, there will be future upcoming meetings with the Vietnamese business leaders as well as Latino business leaders, et cetera. So those are great opportunities to get the message out.

>> For our recruitment strategy we are currently outreaching to local and regional driving industry firms and our focus is primarily on the clean tech and emerging tech industries, and you've seen a number of our deals come forward to the S.A.T. board meeting couple of week ago and more tomorrow. We also focus on any entrepreneurial company. We're not just focusing on those two particular industry sectors. We believe entrepreneurs come in all different sizes and shapes and we're trying to expand our outreach to them too. If you look at the next slide, this will give you an idea of what the expected existing and expected job creation will be from a number of the companies that we have assisted. In the column that is entitled forecasted, this is what we expect the company will achieve and the date, on the final column on the right, is the due date or target date that we 30 they will be able to achieve that job creation. Now, notwithstanding the fact that you know, nobody controls the economy, and that does have an impact on a company's business model and ability to grow, we do make adjustments accordingly but many of the companies are on target.

>> What we wanted to do was give you a sense one way of looking at development activity. And while the numbers are trending down, the interesting thing is that there's still a great deal of activity in the building. Another view of that, and I just wanted to take a quick shot there, is the amount of permits going through in July '08, building inspections were close to 14,000 code enforcement cases, almost a thousand, and when you reach to May '09, building inspections are about 8500, building permits issued, 1600, and code enforcement cases about 800. But if you look at any other city in the area, having inspections around 8500 is still a tremendous amount of work going through. And there are activities. And

one of the things that we thought we would do when we come back again is just to give you a sense of the large numbers of corporations that are still doing some level of expansion and/or renovation of their spaces in North San José, downtown or Edenvale. Monterey corridor as well. So I think the dour sense of the times belies what is going on in the area.

>> With that that concludes our presentation. Again, in summary, what we have done today is provide you an update with our business retention expansion and outreach efforts. We hope we left you with the sense that not everything is doom and gloom. There is a lot of things going in the industrial areas and also in retail and we expect that it will continue in the coming years. So with that Nancy and I can take any questions you have.

>> Councilmember Pyle: You've really done a lot of work. It really shows. Thanks so much. Anybody with any questions? You're with it, Sam.

>> Councilmember Liccardo: I had two questions. First of all, thanks for the presentation, and I really appreciate all the work that has been done with the restaurant consultant. I've heard really good feedback from the work that she's done out there so I appreciate the foresight in trying to engage many of our struggling restaurants with a consultant that can help them. I had a conversation with Sonja Pass yesterday, the artist who had actually been looking for retail space downtown, as recently as a year, year and a half ago. And she ultimately landed in Campbell. And for those of you who have seen her gallery, it's fabulous. We'd all want it. I asked her, well, hey, did you hook up with RDA or talk to anybody with the city, and she said no. It sounded as though the broker she was working with just had no idea about what was there. Now, I saw you maybe reached out to looks like 150 brokers at this presentation. I had no idea how big a universe there are -- there is out there of commercial brokers. But do we have any sense of about what our penetration is out there, how aware are they of what we're doing?

>> At present we are currently in touch with on going basis working with the prime retail brokers in the area. Not all the brokerage firms have a strong retail brokerage component. Some are stronger than others. But we are working with those that have the best: Terranomics, CBRE has probably got fewer, Colliers is strong, Cornish and Carey is strong. So we are in touch with those brokers on a regular basis. One of the challenges we find in dealing with small businesses like Sonja Paz, and I have been to her gallery, and it is really a neat gallery. They tend to work -- and I don't know if Sonja did this -- they tend to work with independent brokers, very small, that aren't well-known names, that aren't as connected and aren't as familiar. Those are the hardest ones for us to connect with on a regular basis because there's many of them out there, and we don't know -- we're not aware of all of them. But we did -- we do work regularly with the well-known protection, the established brokers and we feel we're covering the bases. Obviously we could get to more, but it's hard to get to the independents.

>> Just to add to that, it's always a struggle. Because even the brokers who we work with sometimes forget, fore example, that for a client they need to check the GP and zoning. And then in this downtown you'll know through the small business ambassador program, they'll have someone sign a lease, and it's never been a restaurant before, and so the level of expense or you just can't flat-out do the use. And the broker wanted to get the lease signed in that instance. So that's not always the case, but we still find that.

>> One of the things that I think will improve that, councilmember, the ability of businesses to know what's available. We just launched the downtown San José office Website. And we have Costar, the real estate database, now searchable on that Website, and somebody will be able to go online and actually search and see what's available in terms of commercial and industrial space. Now, there are some caviats and constraints with this, limitations, because no database is ever perfect. But we feel this is a way to get that information out directly to businesses, and also to the smaller brokers who may not have access to the big house database access -- that is up -- access a database that is updated on a regular basis.

>> Councilmember Liccardo: Is that through the RDA Website?

>> Yes, it's through the RDA website. We'll send you the linkout. It just went -- launched, okay?

>> Councilmember Liccardo: That would be really helpful. I'm routinely there. It just launched Friday? (inaudible)

>> We're also going to be updating the retail side of the website, so you will have the retail listings through Costar, as well.

>> Councilmember Liccardo: That would be great. So that's for our NBDs, as well, or city wide?

>> It's citywide from the standpoint of all the areas that redevelopment is working on. We have the commission under Costar to utilize right now. But the downtown office one is strictly downtown office at this time, and I think the industrial areas are being explored.

>> Yeah, let me clarify. What we have is the downtown office on the agency Website. But we can search, if businesses call us now, we do have access to the full Costar database. I'm sorry, I need to clarify.

That is what is not currently online, it is only office right now. But when we can launch the retail website, we hope to have that capability then for the retail on that site. But I need to be clear. I didn't have that correct.

>> Councilmember Liccardo: And Costar, forgive me, because I'm not that familiar, sort of the commercial equivalent of an MOS?

>> It is. It is sort of the gold standard for having all of the commercial listings. Now, again, we should be talking about limitations. In some cases there may be something may be represented by the owner that they may not be subscribing or posting things to a service like that, so -- but it's an aggregate. It takes things from loopnet, you may have heard of some of the other property listings.

>> Councilmember Liccardo: It is very helpful. Thank you. I'm often out there trying to nag and beg and doing what I can to sell folks.

>> We had a team do a sweep of different -- of retail in other cities that we thought might be appropriate for downtown and the NBDs, and they did contact, they went out and contacted a number of the businesses. Obviously, this was right at the downturn was occurring, and a lot of those businesses were not interested in expanding. I think this was before Sonja Paz opened her gallery. But we do keep a regular pulse on what's happening in terms of new retail development in these types of areas, because you never know, a business might be successful, and it's a great time to expand, rents are low, there's a lot of space available, so they can get in at a lower cost than they normally would. So we are trying to cover the bases. But anything that you see that you would like to bring to our attention would be very helpful.

>> Councilmember Liccardo: Thank you.

>> And as we talked about another thing that would be great is if the councilmembers would include the link on the Website in your newsletters.

>> Councilmember Liccardo: Yeah, we'll be happy to.

>> Because most folks don't know about the Website and they don't generally go to a citywide Website first to look for Real Estate information.

>> Councilmember Liccardo: That's a great tip, thank you. The other question I had related to long-term strategy. I know right now we're up to our ears, really, in the short-term concerns that everyone naturally will have in a really difficult time like this. But a couple data points came up for me in the last couple of months. One, I think several of us are on the VTA board, and we saw the VTA projections for sales tax revenues in the next 30 years in the county. And these were gloomy, and I know we have some disagreements with how -- their methodology and how they came up with that. The fact it would be a flat line is very surprising, to say the least, to me. But then I was at CEOs for cities conference and ULI was presenting, and they were presenting basically a vision nationally in which retail square footage would be shrinking over the long term over the next custom decades. I assume that Internet commerce had something to do with that. But there seems to be some kind of view out there that retail's going to be shrinking in terms of space, and I know annal all of lot of what we depend on four of for our urban development mantra, and I'm sure it probably is true in any other city in the country, ground floor retail, and activating space and making sure we have retail out there. And I'm I'm wondering, is there -- do we believe there is something unique either about San José or about the kind of retail we're going to try to attract that will buck this trend, or are we all doomed to a smaller and smaller retail sector which I know, has problematic implication for us in our budget.

>> Well, I'll start out there which is, San José will buck that trend in that many of those communities are not underretailed. For example, we were just talking to the folks in Phoenix, Arizona. They are overretailed. And so this is an opportunity where they are doing more housing on formal retail sites. So because we're underretailed and because of the significant amount of population that will come to the area and as Leslie told you, there is not that hive vacancy rates in many of our areas, we don't believe we'll have that dramatic dropoff. Then there is the question of what are we taxing? When some of those questions, we do take issue with, plus legislative opportunity to expands what's taxed in terms of service. So on that portion, we should be working to expand service and to generate sales tax and -- or less, and I know this is a third rail issue but looking at other taxation issues relative say to Internet tax and others. So our own sales tax numbers which decreased surprisingly in the last bit, 5%, which is going to be a budget challenge for you starting August 1st, that will continue to be an issue. But in terms of are there retail square footage shrinking in San José, we don't believe so.

>> Councilmember Liccardo: Thank you, Nancy.

>> Councilmember Pyle: Okay, Rose and then Ash.

>> Councilmember Herrera: Thank you, Nancy. I want to thank Leslie and Nancy both for the report. And speaking as a councilmember from one of the underretailed districts, we're certainly looking forward to a lot more retail opportunities, and our residents are eager to be able to shop locally in the district where they are. So we're very excited about the opportunities that have been -- we've discussed, both RDA and OED. I just wanted to make a comment. I was at the NAOPP lunch the other day, and I was so impressed and so excited about the presentation that economic development made. Retail -- RDA was part of that, the mayor's presentation. It was just wonderful. It was a breath of fresh air, sunshine and all of that, because it was meant to be the positive news. And it just struck me that what was said there, that whole package that you all put together, should be something that I think should be taken on the road, it should be put together as a road show and taken out so that the whole community can hear about all these wonderful things that are happening with economic development and the opportunities going forward because we've spent a lot of time on our budget crisis and we should do that. We also need to talk about the future. People need to understand that there are positive things happening, that there's hope, that we're going to come out of this, that it is very real. You guys did a tremendous job of communicating that the other day. My frustration was, though, that I could not go get a copy of that either in written or you know, a CD are it or anything. And I any there's just -- I probably said it on that and there's probably many, many more of those going on all the time where we need to capture that somehow. I mean, I think it needs to be repackaged, and we need to deliberately put together, you know, just like you do in industry, automotive industry, we had, you know, road shows, we'd go out, we'd market things, you'd do a deliberate kind of effort and take advantage of these councilmembers. All of us up here who are your ambassadors, who are your salespeople? My goodness, that is -- we got here because we know how to communicate that out to the world. So I think you really need to take advantage of us, put these kind of tools in our hands, let us help you with that. And if I can make one suggestion out of this, can we start capturing these kinds of presentations, so that we can go to a central location, some kind of a marketing area, someplace where we can search through and find these presentations, so that we can reuse them, and it's not just one-offs going on.

>> Paul Krutko: So there are presentations that are already in the can and prepared on OED's Website. So we've done a bad job of communicating to the council so you know that. We do have it at SJeconomy.com. There are a variety of different formats. We constantly are working on that, and we certainly do appreciate the commitment that council has to help us with that. Because we are -- and I say this, and it's not meant to be budget-whiney. We're kind of a small and valiant crew collectively across the agency and OED against the significant employment numbers that the city has. It's less than a half a percent of your staff is actually engaged in any kind of revenue specific generating activity. The other one is, we will bring one, I think in August, we will bring to you -- we have a specific, very highly detailed pitch for foreign direct investment in the clean technology area that we've developed. And we showed it, I think I showed it to the care last time. But we want to bring it in August so you can have it. That will be up on our Website, too, Kim used that, and it's actually what we give to real prospects who are wanting to think about a capital investment someplace in North America. So it's a good piece. The other piece that I would -- which I don't know we have up on our Website because it's proprietary. But what I was waving at that session was the Millican institute's record. I would commend everybody in the audience who might be watching this and the councilmembers, we need to get the link to you because there's specific San José paragraphs in there. And what we were really heartened by was that it was still a challenge to us, I just had this conversation with Dan Fenton this morning, it specifically identifies this as the San José metropolitan area as the number one innovative region, as opposed to Silicon Valley as the number one with this amorphous geography. So we will get -- we will get cops of Millican to your office but that one is available on their Website as well. It's on ours, did you put it up? We're okay, it's open ours. I didn't know whether Millican had trouble with us stealing their stuff. It's a good point. We have this material, we need to make sure you know where it is so you can use it.

>> Councilmember Herrera: Well, we did look on the Website. And it still didn't -- what I'm saying is, when you put together a package like you did, and the Millican report was part of it, and the closest competitor of ours, by the way, was 46. We were at the top. We were 100, we were at the top, and the closest area or the closest area was 46. I thought that was very impressive. Kim Walesh spoke on strategy. You had RDA talking about their programs. The way that that was ordered, it's the way it's put

together. It's not just the slides. It's helpful if you can capture that and tape it so we can see all of the other things that you guys add into it.

>> Paul Krutko: Do we know, did anybody do that? Because to be honest, and you're really highlighting an opportunity for us, and it's really using the resources that we have across this hallway, though they're challenged with their resources. But we can -- I don't know that we had a camera in the room when we were doing that. And quite frankly, councilmember, we all kind of did that on the spur of the moment and was not a well-planned, thought-out presentation. But as our -- as the City Manager said, you have some of the -- you know, John's staff, my staff, you have some of the top economic development professionals in the country, so we kind of can just do that. But you're right, if we would have had a camera there, we could have put it up as a link on the Website. We could asked them to run it in rotation. So those are all very good ideas. Thank you.

>> Councilmember Herrera: Yeah, I just -- I'll stop. But I just want to reinforce the fact that you do have a small team, and that is exactly why we need to leverage that brain trust. Each one of you spoke, and yes, some of it was obviously knowledge that you carry around with you. But to the extent that you can bring that out so we can carry the ball, too, it will really be helpful and it will leverage those resources further.

>> Councilmember Pyle: Thank you. Ash.

>> Councilmember Kalra: Thank you. I really like this restaurant boot camp idea, and just as Sam was mentioning the consultant's offer, you know, then you talk to restaurant owners. They're, it says here, you know, surviving the economic downturn, they really are in survival mode right now. And so the fire seems to indicate that it's targeting the existing restaurateurs, but it isn't open to people that are looking to open businesses as well. And it's a city -- basically it's targeting people citywide, our businesses citywide?

>> It's targeting restaurateurs, existing restaurateurs in redevelopment project areas. But again, you know, we're not turning anybody away.

>> Councilmember Kalra: If somebody else found -- there's someone that's not in the redevelopment area, that's fine.

>> We also want to target people, like you say, who are would be -- want to open a restaurant, hoping to get to them before they make decisions that they might regret later on. When we work with existing restaurants right now, we always look back and say, gee I wish we had known, we could have talked to you about, or put you in touch with someone who could give you expert advice, et cetera. And of course, at that point it's too late. So for example, councilmember, when a restaurant comes to our program, small business loan program, it is a requirement now that they have to sit down with the restaurant consultant first, and then her report goes in with the loan package, so that the committee can reviewing her comments and get a sense of, well, is it on solid ground, are they moving in the right direction?

>> Councilmember Kalra: That's a great idea. In that sense, it is helpful to the small business owners, also helpful to us in terms of the applications and being able to evaluate them properly. In regards to the business retention, I think that RDA staff does a great job of reaching out to folks. I hear it, whether it's Yolanda Lee, in terms of enterprise zone, or Don Burris, who I've gotten to know -- well, I've actually know him for a long time, but I've gotten to know in his role now pretty well, and Abi Magamfar, been going out, and I just hear really positive comments on how well the businesses are taken care of. And that's so important, because we are competing, sometimes with smaller, nimbler cities that certainly may have the ability to really give that extra attention. But it seems like, you know, with RDA staff we are actually giving that small city type attention. And I think it's critically important to keep, especially in these times, to keep the companies here, and as they expand, be able to offer them any assistance as -- as much assistance as possible. And one example from some of the -- actually, it's happened several times now, anecdotally, on some of these visits, as folks don't know in Edenvale if they're part of the enterprise zone. And so it's like a bonus. You go out and visit them, next thing you know, it's like bringing out several thousands dollars in a box for them. The city will pay for it and help apply -- help them apply for it. And that kind of attention is something I think that really causes some of these CEOs and some of these leaders in the business community to have an affection for actually being in San José, as opposed to just being in Silicon Valley or being in the Bay Area, they actually connect themselves to the City of San Jose. And I think that, to whatever extent possible, you know, to whatever extent possible, that's something that we should try to market. And I don't know if that's something hard to market, that kind of attention, until someone actually takes advantage of it or until someone actually comes to San José. But I know that any option I've had, or any conversation I've had with folks at events, so on, that want to come to San José, I ask that question often, if they're looking to expand or move. I just ask the question just randomly, and sometimes people are, and then I connect them with RDA staff. And I think once that relationship is built,

it really puts us at an advantage of either having the company come here, or at the very least, if they're here, to have them stay and be successful, especially in these times. And when we get out of this recession, they'll be in a good position, and that just is -- obviously helps us, the city.

>> Thank you.

>> Councilmember Pyle: Thank you, Ash. I'd like to borrow a couple of ideas from Sam and Rose and you too, Ash. Sometimes you don't know if your influence is being felt or not, especially as a councilmember. Because even though we might send things out, we don't get any instant feedback. But we do get delayed feedback. And I was surprised and delighted that our sales tax figures had gone up a little bit, despite what was going on. So either the years of nagging about buying locally, have caught up, or people are spending more, period, I'm not sure what it is. I really don't care. I'm just glad that the figures are up. And I think the idea of us all being ambassadors, rose, is incredibly important. Because we are. And we're the front-line folks that can get the word out, and can put out that hand for you. And direct people to -- into your direction. So I appreciate all that you've done. This is just tremendously helpful. And please be assured this will be in my newsletter. Maybe not this one we're just finishing or putting to bed, but the one after that. This is valuable information. You're doing a yeoman's job, and I very much appreciate it. Thank you.

>> Just a quick note. There were certain sections where our performance, like in restaurants, was actually surprising. But overall, and because I wouldn't mention it, other than right when you come back in August 1, you will get that our sales tax overall did take a very surprising and negative decrease of 5%. So there are a number of reasons for that audit findings. There are certain corporations that are doing less than expected. But it is a 5% hit, which is several million dollars. So it is going to be contributing to the budget issue.

>> Councilmember Pyle: Absolutely. So are there any members of the audience that wish to make comments about this particular item? Okay. Any other comments from the crew? No? With that --

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: All those in favor? Aye, that is unanimous. Thank you very much. And now we're ready for Paul and the economic indicators.

>> Paul Krutko: Kim and John.

>> Councilmember Pyle: All right, Kim and John, all right, great.

>> Kim Walesh: Hi, I'm Kim Walesh, chief strategist. And I want to introduce my colleague, John Lang, economic development officer. John is the one who creates these really interesting presentations. So we're going to switch roles today, and he is going to be making the presentation. And I'm providing the technical support, if I can.

>> John Lang: Members of the committee, John Lang, economic development. What we have for you today is a couple different types of indicators. We will be going through our core economic indicators, which is unemployment, labor force issues, what's happening with our total occupancy rates. We will also be getting into a little preview of our economic development strategy data. Back in 2003, when council adopted the economic development strategy, we spent a lot of time developing data to go along with all the interviews and focus groups that were being done to really kind of cement the strategy. And what we want to do today is show you some of those data elements, show you how it's changed in the last five years, to give you a kind of a sense of what's coming, in terms of a preview, in terms of the economic development strategy. And then we have some fun statistics in terms of national rankings to share with you. So delving right into the core economic indicators, this past Friday, the EDD released their May numbers in terms of job loss. And you can see that our area continues to lose jobs. In May -- through May 2009, our local areas lost 27,000 jobs. And that's primarily in the manufacturing and business and technical sectors. What's interesting is that in the manufacturing sector, going back to 2000, roughly 20 to 25% of our employment was in manufacturing. Now it's down to 17%. And this is having a ripple effect in terms of the support sectors that serve it. So we're losing jobs in computer science design, and all those sectors that actually support our manufacturing sector. And we're starting to see kind of this ripple effect that's leading to these job losses. So the key areas that have really been hit, in May of this year, are manufacturing and professional and technical services.

>> Paul Krutko: One thing for the councilmembers, this isn't a part of John's presentation but something I'm working on in the moment. One of the distressing things of the stimulus plan is that some of the programs, because they were specifically written in statute, used December 2008 as a qualifying date. And this chart, this chart illustrates what Mayor Gupman and I were talking about today. Because

what they did is, they compared December 2007 to December 2008 and said, San José still had positive job numbers, didn't have job loss. The next month, in some of these eligibility requirements, and they're in the statute so I'm kind of managing expectations from council. We've identified this as a problem. We lost 30,000 jobs, I've learned this today, in January of '09. So on a statistical pleasure in the statute of San José status, December 2008, we were positive by this estimate, by 500 jobs. The next month, we lost 30,000, and because they put that in the statute, there is a problem in particular in the recovery bond programs. So Merrick and I were strategizing about what to do about this today. We are not alone so you know the nature of this. San Francisco got no allocation, San Diego got no allocation, Las Vegas got no allocation. Baton Rouge got no allocation. We're trying to decide what the Treasury Department did with this particular program. This is both for city bonding as well as economic development investment. The state's going to get an allocation, we're going to reach out to the state to see if there's a way to access the state allocation, but it just goes to show you how we, or for most of I think 2008, we're thinking, well, we maybe haven't had these conversations, maybe we're goods to weather these things, our job loss came after lots of other folks job loss, I think maybe that's because we sell goods and services to the rest of the economy in the world, and when they stop buying, then it comes here. But you can really see what happened then in 2009. So it's really -- we're going to need to make funders aware of that, and in situations where it's not statutorily -- make sure we're doing a good job of pointing out these statistics. Because our job loss, when John was doing unemployment, you know, we've had dramatic changes in the last 12 months, which you would think, under the recovery plan, we would get resources for that. We got a little bit of a problem.

>> John Lang: So as Paul alluded to, and as Ms. Parks alluded to in her earlier presentation, our jobless rate, for our MSA, is 11.2%. For the City of San José specifically, it's 12.4%. And I'd really draw your attention to kind of illustrate Paul's point which is if you look at May 2006, 2007, and even 2008, our MSA in our city were trending what's happening in the nation. Where we see the really big change is starting in 2009, where we have this divergent trend going where our MSA, our local area is experiencing higher rates of unemployment that be the nation. And we're really starting to feel this here locally. Moving on into hotel occupancy --

>> Councilmember Pyle: John --

>> Councilmember Liccardo: John, sorry to interrupt. Can I ask one question? What concerns me is not just that the MSA separates significantly from the track of the rest of the country, but that the City of San José separates substantially from the rest of the MSA. I know MSA includes Sunnyvale and Santa Clara and some of the cities with a higher concentration of tech employment. I'm wondering if we have any idea about why it is we're doing comparatively worse within the MSA. I know we might generally trail behind, but that's a really big separation right there.

>> John Lang: And I'm going to have to follow back up with you. We do have the data.

>> Councilmember Liccardo: Okay.

>> I don't have it at the forefront.

>> Councilmember Liccardo: Okay, thanks.

>> John Lang: In terms of hotel occupancy we have now dipped below 50% and the last time this happened was actually in the 9/11, 2001 time frame. So we continue to suffer from the global recession that's occurring and it's trending out in the data you see in front of you. It's just this declining occupancy that we're -- we have. So no good news there. In terms of the next slide, wanted to show you what's happening in the housing market. And this slide specifically looks at San José, and not the county. And what you see here is that the average median home price in San Jose has been declining. As recently as May 2008, the median home sales prices was \$625,000. In May 2009, it was \$410,000. That's a 38% decrease in price. That same time period, for the county, it was a 24% decrease. So the county numbers were \$975,000 in May 2008. And in May 2009, 745,000. So the home prices haven't been this low since 1999. But on the flip side, you do see home sales rising, and part of that is from the foreclosures that are going on. We are seeing some turnover in the homes, but in terms of median home sales price, we are fairly low. We're getting back to the pre-2000 time frame. Moving on into the ED strategy, the slides you are about to see here really focus on the most recent available information. So many of these appear dated but they are the most recent data points we have. And when we talked about this in terms of doing the economic development strategy, we really focused on economic outcomes, economic structure, and what we call community success factors. So each one of these slides has kind of a basic title to it, which you'll see changing and it speaks to are we changing or structure, are we having community success or are we -- do we have a vital community? So under growing economy, what you see here is our per capita

income continues to rise, which is a very positive thing. This is a pleasure of competitiveness and a standard of living. So that is a very positive thing. To tease this out a little bit more, right now, our MSA is roughly one-half times greater than the national average. Where this puts us in overall rank in terms of the United States is about number five. In 2006, however, that figure was -- we were 1.6 times greater than the national average and we were ranked number 2. So we do have some shifting that's going on. We continue to be a very high-ranking and having a lot of income here but it has been trending a little bit lower than it has in the past. Also under growing economy, one of the things we wanted to highlight to you was just how much output there is going in, in this local economy. This is if value of all goods and services that are produced in our area. And you can see that we are, on average, four times more productive than the average MSA. That's pretty powerful. We have a lot of high-value companies here producing very high-valued products. And so we continue to outpace the rest of the nation. As you probable all are aware, the venture funding has come down in 2009 considerably but this downward trend is consistent with what's going on in the nation. Nationally there was \$3 billion invested in U.S. companies. This was down 61% from the prior first quarter. So it's in line with what's happening in the nation. What's the silver like for us? We're still getting one-third of the VC funding. And in general, the funding per industry, the percentage of funding per industry, is trending with the nation. There are two areas that it's not. One area is in the semiconductor industry. The percentage of funding in our area is roughly 12%. Nationally it's about 5%. The one area where we lost some ground and this specifically impacts the clean tech green tech stuff is in terms of energy funding. Nationally the funding's been at the 10% level. Locally in this first quarter it was down to 2.8%. So we have a little bit of shifting going there on. Chairperson Pyle mentioned this earlier about the fortune 500 companies. One other pleasure we look at is large cap companies. This is basically the value -- the dollar value worth of companies. You can see compared to our numbers we have the largest amount of companies with over 1 billion in market capitalization. Those companies are Cisco, eBay, Adobe, Xylinks, Altera, Calpine, Sun Power, Atmel, Novellus, Broadcom and Cadence. Moving on, in terms of median income, when we compare ourselves to the other 30 largest cities in the nation, we are the highest. We have the highest median household income in the United States compared to the top 30 cities in population.

>> Councilmember Pyle: John, could we go back to your leading companies? I got six out of the ten.

>> John Lang: Yes, certainly.

>> Councilmember Pyle: I have Cisco, eBay, Adobe, Novellus, Cadence, Broadcom.

>> John Lang: Yes, so there was Xylinks, Altera, Calpine, and then Sun Power, Atmel, A-t-m-e-l, I mentioned Novellus, Broadcom and Cadence.

>> Councilmember Pyle: Thank you.

>> John Lang: You're welcome. Topic you just spoke upon in terms of where the city stands in terms of being retailed. What you see here, in 2001, I should say in 2004, the city worked with Bay Area urban economics, to look at our retail base. And they produced a study based upon 2001 data that showed that the city was underretailed by a percentage of 24%. Roughly, \$16 million was leak out of our community into other cities. Taking that same methodology that they developed and looking at 2004, 2005, 6 and 7, you can see that we did make some headway in terms of getting more retail into our area, and starting to chip away at that amount. However, in 2007, it began to go up again. And based upon the most recent data we have, it shows we're 21% underretailed. Meaning people are voting with their wallets in other communities. They are taking their purchases outside of our city into our surrounding cities to purchase goods.

>> Councilmember Pyle: And John, is part of that because we don't have the particular retail that they're seeking, to a large extent?

>> No, I mean part of this is just consumer behavior. People tend to shop where they live. If they live near Campbell, more than likely, they don't think about if I shop on this side of the street it's San José, this side of the street it's Campbell. Its proximity to resources, you look at the North San José area and up towards the east side, we don't really have a lot of Israeli retail development in that area. So a lot of it does go to Milpitas. You have some border issues with Santa Clara where people are easily going in essence across the street to make the transactions. Whether they know it or not they're buying in Santa Clara so --

>> Councilmember Pyle: Thank you.

>> In terms of sources of prosperity, this particular indicator really looks at what are the jobs that are going to be out there in the future. And this table is from the employment development department and looks at job occupations for Santa Clara County, in terms of the absolute number of jobs that are going to be available. And what you see is that where they forecast a lot of the job growth is in jobs that require

very little on-the-job training or even moderate on-the-job training. Most businesses do not require advance degrees. This slide actually looks at our housing. Generally speaking when you're renting homes you don't want your rental cost to be more than a third of your gross income. So looking at the average salary of these individual options you can see that in general a lot of occupations are not able to meet that criteria. In terms of housing, San José actually has a very large home ownership rate. When we compare ourselves to our neighboring large cities, San José is only behind Fremont in terms of home occupation rate, at 62%. That's extremely high for a city of this size. In terms of the exceptional workforce, we've brought this slide to you on a couple different occasions. And what it really shows is that our population growth is really being driven by two factors. One is, natural growth, that's birth minus death, and then also this net migration. And this net migration is the fact that foreign in-migration into our area is exceeding the domestic out-migration. We continue to have domestic out-migration, but it's being offset by a lot of foreign in-migration. So we continue to grow our population as a result of people coming to our area. In addition to the natural growth, which you can see is fairly consistent, those are the yellow bars on the screen. What this really ties to is this next slide. This slide looks at population growth and labor force growth. In general, in our MSA, the population growth sits between 1 to 2%. In this yellow line really reflects labor force growth. That's the pool of employees that are available to work that are at least 16 years or older. And you can see with a dot-com bust, this very large down turn in the labor force, we lost lots of people because of their unwillingness to work. And subsequently it's been growing every since. And how this ties to the prior slide is, the EDD has spent a lot of time looking at this. What they've found is that foreign in-migration populations tend to have higher labor force participation rates. It's a group of people that really want so work and they participate in the labor force, versus the domestic population. In addition, one of the reasons why you also see a higher growth rate is the fact that we have a fairly young working population relative to the nation. And we're seeing the segment of the 25 to 54-year-olds, they're having a higher labor force participation. More of them are in the workforce wanting to work. And that's why you see a growth rate that is exceeding the population growth as a result of those two factors.

>> Kim Walesh: So that could also partly explain why our unemployment rate is higher than the surrounding area, because we have a larger share of our population that's actively registered as looking for work and wanting to work.

>> John Lang: Uh-huh. Exactly. And now just kind of the fun side. As already alluded to earlier, the Milken institute revised their 2003 report where they looked at high technology metro areas. And at that time San José came out ahead. They revised their data to 2007, which was the most recent available, and once again, San José is twice more productive than the second one, which is Seattle, of all places. So we continue to be an area for high tech. And as Paul mentioned, this report is actually on our Website right now for anyone that wishes to download it.

>> Kim Walesh: Oh, and look at, there is San Francisco, they're number 10!

>> Councilmember Herrera: This is 2007, is there a newer one?

>> Kim Walesh: That is the, most current data. It came out in March 2007.

>> John Lang: Yeah, this is their most recent report using 2007.

>> Paul Krutko: They do it almost four years. We hold it to 2007.

>> John Lang: This next slide is based upon a living cities report. Living cities looked at green technology, and green tech, and interviewed a lot of different communities in terms of understanding what various communities were doing in terms of encouraging clean and green companies and especially focusing on small companies. Business Week then took that report and created their own matrix to calculate a ranking of where's the best place to start a clean tech company? And you can see the result, San José comes out on top. Then finally I'll leave you with just a really fun statistic. And that is, San José is number 6 in outdoor recreation and indoor entertainment. Sperling's is an online Website that conducts surveys. And Ritz Crackers decided to commission this study on recreational entertainment. And that's the findings you have from that study.

>> Paul Krutko: Do you put the Ritz Crackers in your picnic basket or do you have it at home (inaudible)

>> Councilmember Liccardo: We don't know why, I don't know -- okay.

>> John Lang: That completes the indicators. Are there any other questions?

>> Councilmember Pyle: Thank you, John. Any questions? Go ahead.

>> Councilmember Liccardo: Thanks, Nancy. The growth rate, I saw in our reports that we are going to be reviewing tomorrow at council, our population growth, a little over 2%, I think over the last year, 2.2, I think and that's what's reflected in that chart. That's the growth rate of a lot of developing countries. That's

incredibly high. We don't expect to sustain that do we? Do we expect to sustain anything above 2%? Or is that just kinds of an aberration?

>> John Lang: Traditionally it's closer to 1%. More recently our area has experienced closer to 2. But in general, especially in the United States, where you are having better medicine, people are living longer, you kinds of compare the different columns and the fact that fewer and fewer deaths seem to be occurring each year as it were as a result of people living longer, it's really forcing that population in essence growth rate because you don't have that birth minus death downward trend.

>> Councilmember Liccardo: Right.

>> John Lang: On average though it's typically closer to 1% or just under 1% is the typical growth rate we usually see.

>> Councilmember Liccardo: Okay, so we expect that to come back down, correct?

>> Kim Walesh: I think international immigration is our big factor. I mean it's our big blessing. You can see how much it drives growth of our economy and growth of our workforce. If you want a growing economy, you really need a growing workforce. So you can really see how many cities across America that aren't attractive places for immigrants sustaining every year, how they're really struggling, and how many of them are actually contracting as cities. I think the continuing X factor is we continue to have a positive net foreign migration into our community.

>> Paul Krutko: We might want to go back and look at trend line in terms of how the population is increased in San José. I'm just struck, while I was remembering when the councilmember asked that question, when we were in Austin on the city trip, it was like a brag point for them that their population doubled every ten years. I think parts of it is a job center that has opportunity, you tend to be a magnet for the immigration. And as you can see, I think from John's slide, as the economy began to improve, in '06 and '07 and '08, before it fell off again, you could see that the net migration is going up. Where the message for people at the end of 2000 when we went into the dot-com bubble, a lot of people left here where it wasn't a good place. And then it becomes a place that attracts migration. So I think we're always going to be a magnet for migration, both because it's California, and the quality of life, and the kinds of jobs that you could potentially get involved in, as well. Because I think John's point about people living and starting a better life chemistry has (inaudible).

>> Councilmember Liccardo: Ritz crackers.

>> Councilmember Pyle: It doesn't hurt that we have as many VC, venture capitalists, in this area, either. Rose.

>> Councilmember Herrera: Yes, thank you, Nancy. So on the growing economy, I guess the most current data was 2007. Do we have any -- do we have any guesses, do we have any ideas, can we extrapolate at all, to 2008, where that is in terms of income, and also on our gross domestic output?

>> Well, by the time we come -- by the time you come back from recess, the 2008 figure in terms of per capita income should be released by the Bureau of Economic Analysis. Most of these release either August, September time frame. So I fully expect when we come back with the ED strategy, we more than likely will have additional data points on each one of these. This was really a way to kind of tease what's coming. But the BEA tends to release a lot of information around the August, September time frame.

>> Councilmember Herrera: I'd be interesting in seeing where it goes after that. In terms of the clean tech, we only have 2.8% of the energy related companies. Is there any comment on that, as opposed to 10% nationally, since we're number one in starting a clean tech industry? How do we reconcile that?

>> Paul Krutko: The categories we got to break out. So they -- solar won't be an energy, or solar would be an energy. I guess I'm thinking fuel cells and biofuels and stuff like that. Nancy's coming to the microphone. So --

>> Nancy Kline: Nancy Kline, economic development. It is very interesting, our area historically has gotten so much solar investment that other areas are getting a little bit of that, and our VCs are shifting into other technologies, a little bit away from solar. So that's in good part why we think you see those numbers, either fuel cell, smart grid some of the other things that you're hearing about are starting to get a little more of the funding.

>> Councilmember Herrera: Yeah, I'm just concerned, because I think there's a multitude of different types of clean tech companies, that I'd be hoping that number, you know, that we'd be getting a bigger percentage of that because that's our future companies that will be starting. And I guess I was going to -- or just confirm, and I think, Paul, you said it, on the growth rates that downward curve would be when people left, right?

>> Paul Krutko: Yeah.

>> Councilmember Herrera: That migration out of here.

>> Paul Krutko: Lots of U Halls leaving Santa Clara County.

>> Councilmember Herrera: So when we look at above the line there, in terms of the growth of the migration or the more people looking for work, is that as a result of the unemployment, they were working for companies outside of San José, how many of those would be, elsewhere out of San José? My point is that I mean if we had -- we need to put more jobs in San José, I think it just points to that because we have the workers here living here.

>> Paul Krutko: Right.

>> Councilmember Herrera: And going somewhere else to work, I mean it's obvious but --

>> Paul Krutko: Right, that's a very good way to align that slide, I would agree with that. Which is as you know, the work of the general plan update is really focused on what scenarios do we create that we create more of the jobs in San José? As a conscious strategy. Just going back to your earlier question on the clean technology, it is a major emphasis for us and for John and his team so we are pursuing that full throttle and in fact that's why I mentioned to you that we have actually -- that's an stunt where we have if chance to attract European and Asian companies that want a foothold in America. So we are beyond the incubating and growing our own companies. We are actively trying to recruit early-stage companies from elsewhere in the world so that's an emphasis that we have on our staff and in our office was some staff consultanting recently.

>> Councilmember Herrera: That's excellent. I guess my last comment is that again, I think the fact that we attract immigrant populations here, with all the variety of skills and connections they have to various parts of the world, I just think that's a tremendous strength that we have. So whatever we can do in terms of fully accentuating our positives in terms of a global area with multiple languages and multiple cultures and all of these things that create a wonderful environment for those types of companies to start, grow, emerge and locate here, I think that's how we need to be including all the cultural things that we support. That's kind of the branding, you know, that's the direction San José's going in, and I think that's a really good one.

>> Paul Krutko: Councilmember, it's interesting to me that the Milliken narrative pointed that out, that they (inaudible) brain circulation language and the fact that one of our distinct advantages why we're number 1, is people circulate between their home companies and here, and when they're thinking about make a connection for investment in the United States, because they've been here, they think San José first, versus Seattle versus one of the others, because they have that natural affinity.

>> Councilmember Pyle: Very interesting. Any other questions? Are there any comments or questions from the audience? With that -- move to -- come on.

>> Councilmember Liccardo: Move to accept.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: Yes, thank you. All those in favor? We have a report that is unanimous. Thank you very much for that. And now we've been talking about growing. Now we're going to talk about cutting back a little bit to our habitat conservation. I'm sorry, I don't know both your names, so if you wouldn't mind introducing yourselves.

>> Aconi Danielson: Give me one second. I'll pull up my presentation. So Chairwoman Pyle and members of the committee, my name is Aconi Danielson. I'm with the Planning Department, Planning, Building, and Code Enforcement. I'm joined by Ken Schreiber, who is the program manager for the habitat conservation plan, so Ken is sort of the linchpin for this effort where he's coordinating the activities of a coalition of the city, the county, the Water District, VTA, and the cities of Morgan Hill and Gilroy and the open space authority.

>> Councilmember Pyle: And this is hot off the press, isn't it, because we just had the general plan update.

>> Aconi Danielson: This is -- this effort is related to and proceeding in roughly a parallel track with the update. It's addressing primarily habitat issues. So members of the committee, I was before you about six months ago with an update towards the end of last year on the preparation of the plan. So we're back at this point today to provide a status update and to get your comments and direction on moving forward with completion of the plan. The local partner staff have been meeting with the consultants and the wildlife agencies of the fish and wildlife service, the National Department of Fisheries, and Department of Fish and Game that jointly prepared this plan, and a key milestone was achieved earlier this month when the second administrative draft of the habitat plan was made publicly available. They are really from San José's perspective, as staff, there are four issues that we want to highlight for you today. And so I'll be

going through those in the next several slides. And so, the first issue that or item that we would like to bring up is, once the plan is adopted, somebody will need to implement it. It's going to be a 50-year term. It's going to cover a substantial portion of the county. And it's going to be a significant undertaking to implement all of the recommendations that go with the plan. So a question has come up with what form should the implementing entity should take. At this point there are at least five options that are being considered. And the first is that one of the local partners take over responsibility for implementing the plan. It could be the county, if San José was interested we could put that out there or one of the other agency partners. There could be a special district formed that would require state legislation, and it would be governed by an elected board. Third option would be a joint powers authority which involve two or more of the local partners agreeing to take over implementation of the plan. A fourth option would be a nonprofit tax exempt benefit corporation. This would also require or this would be delegating some authority to this entity to govern the plan. There are issues about its ability to impact fees and to enforce key provisions of the plan. And then the last option is a state charter conservancy. This would be established from state legislation. It would be operated out of the California Resources Agency. Each one of these options has issues. We don't think that there's a perfect fit at this point. The last Thursday, the liaison group met to discuss this issue. San José is represented on that group by Councilmember Kansen Chu, and Councilmember Kalra is also a member of that body representing the VTA. So there was a fair amount of discussion amongst that liaison group about the various strengths and weaknesses of these different options. And I would say that there was generally a preference for a joint powers authority on the basis that all of the local partners wanted to be equal members, wanted to have a seat at the table, and have a voice in implementation of the plan. There are some issues, however, in terms of, as we understand it, one of the legal limitations under joint powers authority is that the powers of the authority are limited by the common powers of any one -- of all the members, basically. And so at this point, we're investigating whether the Water District, the VTA and perhaps the open space authority, whether they have the ability to collect and implement mitigation impact fees. The county and the three cities clearly do, but there's a question about whether the other three agencies have that authority or not. And that's a key concept in that we would like to have the impact fees set uniformly across all of the partners. We don't want to be having to independently and individually adopting fees just to avoid discrepancies in the timing for setting fees. So this is, I think, largely a political question about to what degree the city wants to maintain control and be a cooperative partner in implementing the plan. Ken may want to speak about some of the discussion from Thursday, and we would like to be -- we would like to hear from the committee, or at least start your thought process about this issue, when we come forward to council in August for a larger discussion. Any of your observations from Thursday.

>> Ken Schreiber: Just picking up on Aconi's comments, I think the tension in trying to figure out the implementing entity framework is really the tension between having all of the local partners, and there are seven, the Cities of San Jose, Gilroy, Morgan Hill, Santa Clara County, VTA, Water District, and the Santa Clara County Open Space Authority, having those seven partners all wanting, thus far at least, an equal seat at the table for future implementation decisions. It's their activities, their permits, whatever. And that's quite understandable. And the problem that we're dealing with, as Aconi said, is that a JPA by state law is -- has the powers that are held in common by all the members. And so for the cities and the county that is not an issue. They have very, very broad powers in terms of enforcement of regulations, and fees, et cetera, et cetera. It becomes much more difficult with VTA and the Water District and the open space authority, especially in the area of adopting a fee ordinance, collecting the money, and managing the money. And there are -- there is continued legal research in terms of how could a JPA of all seven members be able to do that. And -- or maybe the different way to phrase its is, how could you have a JPA of all seven members and still pull that off. And it may mean even sort of a sub -- a JPA within a JPA. Because it's a complicated issue. And the attorneys are, both our outside counsel as well as the attorneys from the local partners, are wrestling with that issue. We will be coming back to the liaison group in August, and they also have now scheduled a meeting in September and October. Because the effort will be to try to pull this together, and have a proposal for all of the local partners, the city counties of coins, the county board, et cetera as we head towards later in the year. Because we really think it's important to get this decision made by about the end of the year because the entity itself will need to be set up by the middle of 2010. And that's the target right now.

>> Aconi Danielson: I would also point out that Vera Todorov from the City Attorney's Office has been participating as a part of the attorneys' group and has been deeply involved in this issue, and you know, as a resource for the committee today.

>> Vera Todorov: The only thing that I would add is, and Ken mentioned, we are considering probably that the best option is some sort of a combination of two of what you see up there, could be an agreement, an overall agreement that binds all of the partners together with perhaps a joint powers authority to levy fees for the four jurisdictions that can levy developer fees. Another concern among the group, in particular the local -- the municipal governments involved, the county and the three cities, is that none of us are advising that we give up any of our local land use discretionary authority. And so that is also an issue between us and some of the agencies that don't have land use authority. So there are a number of components to this that we're going to ask you to consider in the future.

>> Ken Schreiber: I was just picking up on that. The second draft admin draft that came out in June clearly states that the local jurisdictions retain all their land use authority. And maybe the second thing to note there is that whatever comes out of this is willing seller, willing buyer, no use of eminent domain, that is another hot button issue for some parts of the public.

>> Aconi Danielson: Okay, so moving on to the second key issue that we wanted to bring to the committee's attention is, once the plan is adopted and we begin implementation, regardless of the form of the implementing entity structure, there is an issue in terms of initial funding, basically the need for some startup or seed money. The revenues that are likely to come from development impact fees we anticipate are going to be slow at the very least not available in the start. So there will be some cash flow issues, so at this point the management team is looking at a variety of options on how to structure the first several years of the plan implementation process, looking at deferring land acquisition to the extent that it is possible, and still meet our commitments to the wildlife agencies. We'll be looking at the potential for funding from the partners, whether that's in the form of a loan or just a cash payment, as is in the case of the preparation plans. The local partners have all jointly contributed to the preparations of the plans. There will be capital projects that the city is undertaking that will be subject to fees under the plan. Also, that the city could take money out of the capital budget to prepay and help jump start the process. And then we will be attempting to hold down the operating cost of the implement agency to the extent possible so that it is as lean as possible until the revenue has kicked in. So just to point this out that as we start to put together the budget for fiscal year '10-11, most likely this issue will be discussed and brought forward for your input. Moving on, the funding of the plan is a combination of development impact fees, grants, in-kind contributions from partners in the plan, the water district, for instance, and the open space authority are going to be providing land and other in-kind contributions. The impact fees will fund slightly less than half of the overall plan funding. An important source of funding that has yet to be fully defined is the potential for grants and other forms of assistance from foundations such as the Moore Foundation, the Packard Foundation, we expect the Nature Conservancy and the Peninsula Open Space Trust. But there are a number of nonprofits out there that we think will want to invest their resources to make this a successful plan. So we haven't budgeted those in a definite way yet, but we expect those to be coming. We know that the subject of fees is of primary important to the city and of economic development. And so I didn't want to paint the context that the majority of the funding of the plan is not fee, it's other sources. And within the fees there really are four separate categories. And the fees for zones A, B and C are based upon the quality of the land cover habitat that's present. Whether it's pristine wildlife habitat, that's zone A, whether it's an agricultural type habitat, that's zone B, or zone C is small vacant infill type of habitat. And then the last category which was discussed when we were here in December was the zone D, which is sort of the infill urban intensification fee. You can see the relative proportion of the fees. The overwhelming major of the development impact fees are going to be coming from the zone A and the zone B, which are largely not in San Jose's urban service area. And so this next slide depicts those different zones. So the majority of the plan area falls into the sort of that light gold color. That's zone A, so that's largely hillside, rural areas that are outside of San José's urban service area. The second largest area is zone B, which is the green, so that's largely existing agriculture. And then zone C are the small scattered yellow dots that you see. So those are existing vacant parcels of less than 10 acres scattered throughout the plan area within Morgan Hill, Gilroy, and San José. Then the zone D is the darker gray which is the bulk of San José. And so the fees that go with that, and these are based upon the habitat value. So the fees have been set at this point at about \$18,500 per acre for the prime wildlife habitat, primarily in the hills and in the undeveloped parts of the county, not really by and large a San Jose issue. Zone B, as I mentioned, is primary ag lands now, but have lesser habitat but still important values associated with them, and then zone D is about \$4,500 per acre. The zone D fee, in which is of primary importance to the city, given that that's what most of the city falls into, has been set at little over \$6 a trip. So I'll get into that fee discussion in the next several slides. I did want to point out at

this point while we have this slide up, as I mentioned, most of San José is in zone D, there's a little bit that's in C, very little in B. There's even less that's in zone A and you really can't read it on this map at this scale. But one of the key areas that has been preliminary mapped is zone A, which give us the highest habitat value is the Communications Hill area. And so to that point, the -- Summerhill is interested in developing the remainder of that specific plan area within the city. That is a key development area for the city, and so Summerhill has been actively participating as the plan is being developed, and Summerhill would like to investigate whether that is in fact the appropriate land cover designation for their property. And so the committee's been given a copy today of a letter from Summerhill Homes to Ken representing the plan, and Summerhill's basically wanting to further survey and study their land, to make sure that it is accurately being mapped. And so that is something that we are committed to do as part of the second administrative draft process. So that we would like to accurately reflect what is in fact on the ground by the time the plan is adopted. I would point out that this is not unique. We expect other property owners are going to make this request, particularly as the plan is for a 50-year term. Conditions on properties are likely to change over that time frame. And so the plan anticipates that as development's proposed on a property, as part of that development application we would confirm what the status of the property was at that point in time. So Summerhill was just getting ahead of the game. So on the subject of the zone D, the rationale for this is, there is a scientific basis for the collection of the fee based upon the chemistry of car emissions, and modelings that documented that tail pipe emissions are causing certain sensitive habitat types in the South Bay to change. Basically they're nutrient-poor, the tail pipe emissions are acting like fertilizer, and they're causing these endangered plants and animals to go extinct unless they're actively managed. And the zone D fee, which again has been preliminarily set at about \$6 per new trip, would pay for the acquisition of habitat that has these plants and animals, and for its active management, to make sure that invasive weeds and other species aren't taking over that land. The fee, in the context of other typical impact fees, is relatively small, again, \$6 a trip. That's about \$60 -- \$6200 for a new single family home. They generate on average about ten trips per day. And for a multifamily unit, it's about 43. Just put that in context. The typical traffic impact fee to build traffic mitigation is usually on the order of 7, \$8,000, in North San Jose as an example. Park impact fees are several times that. So we don't think that it's a substantial barrier to development, but it is something to be aware of, and it is a number that we focused on. So that's proposal for commercial and for nonresidential use, basically, it would be based upon the new trips that result. It is important to note that the amount trips that come off a property would be determined by the city, so we would still have our control in terms of doing our typical traffic reports, figuring out, given the location of that use, the character of that use, to what extent do we give credit to trips that are already on the property, to what extent do we give credit for transit use, internalization of trips due to mixed use. So that we've got it right, we're not overcharging, we're basing it on the actual new trips that result. And particularly, over time, as the city matures, as it evolves, as it intensifies, as our transportation network gets built out, we hope that the amount of trips that are by car, that share is going to drop, so that over time as more trips are occurring via transit or bikes or pedestrians, non-auto trips, we are able to adjust our trip rates within the city to account for that evolution of the city. And one point that's worth making here, as well, is that the -- this issue about nitrogen deposition, we believe that if it were not in this plan, it would certainly be coming up as part of the comments from the Fish & Wildlife Service as we move forward with our general plan update. So we either -- we can deal with it now as a part of a larger framework, with the potential for outside sources of funding. If we didn't choose to proceed with that, we do expect the San José would have to come up with its own approach as a part of its General Plan update, that the Fish & Wildlife Service is going to pursue this issue whether it's a part of this broader framework or as a part of a go-alone framework by San José. I would also point out that the fee has been based upon the share of trips that are occurring within the plan itself. So to the extent that emissions are coming from elsewhere in the county, or elsewhere in the Bay Area, or from the Central Valley, for that matter, other funding sources will be identified to deal with the mitigation for that. So we're not expecting private development to be mitigating for things other than its own emission.

>> Ken Schreiber: Let me just tag onto that for a second. One of the things that has changed in the last 18 months, probably, and even more so perhaps in the last 12, 13 months is, that the state's implementation of AB 32 and SB 375, global warming legislation, sustainable cities, sustainable growth legislation, has focused down into using one of the desired techniques is to use a natural community conservation plan under state law, as the way to address the endangered species and habitat impacts of growth. We're doing an NCCP. And the feeling among I think local staff more and more is, let's try to

make the best use of this document, as possible and it's a one-time fee. It's a one-time fee of \$60 for a single family house. Essentially what's coming through OPR and CEQA, California Environmental Quality Act guideline modifications, et cetera, is to address the mitigation of emissions and global warming, and the -- sort of the desired way to address it is an NCCP. So the feeling being that we can use the NCCP to essentially provide an insurance policy for -- as development and moving through the environmental review process, because for essentially a relatively low dollar amount, you will have attached your project to the mitigation of choice as defined by the State of California. And that seems to be a very, very nice confluence of policy at the state level and what's going on here. Now, the state, this is still evolving, and fish and game and OPR and the Governor's Office et cetera are continuing to work on. But the direction -- all the indications I get from the Sacramento people is this is clearly the direction that they want to go in. So we think we can kind of tag onto that. We can build some wording into the habitat plan right now that will serve to provide this additional mitigation role of the habitat program. I think over time will prove to be a rather valuable contribution from the habitat plan for a lot of different activities, public and private sector.

>> Aconi Danielson: So then the final issue to bring up before the committee today deals with the burrowing owls. As you may be aware, the owl population is in pretty steep decline within the South Bay due to the fact that they like large developable properties. They've had the misfortune of liking where office parks like to go. The owls are in trouble. At least locally. We've seen that actually in other places across the state. So statewide, owls are in serious condition. And we've been told from the Department of Fish and Game staff that they'll likely to be a listed species within the next several years. So we can anticipate that they will be listed, and as soon as that happens, any property within the city that either has owls or has the potential for owls then would be caught under the California Endangered Species Act, which would be a significant permitting hurdle, far in advance, in excess of CEQA. At that point you would have to take authorization on a case-by-case basis from the Department of Fish and game so the city staff is trying very much to get the owl covered under the plan, as a vehicle to create mitigation offsite to set up viable habitat areas that are aggregated and more viable. There is a goal to continue to include the owl in the plan and at this point we are looking at owls are highly mobile. They fly from site to site. And there is viable habitat just outside of the plan, just to the north of San José that we're looking at in addition to sites within San José. So this is fairly unique in that this is one animal or one species where we are looking outside of the formal boundaries of the plan itself to deal with the species. And I would say that the Department of Fish & Game has taken a fairly flexible approach with the City. They would like to see this covered just as much as we would. And so we are still looking at conservation strategy options. We don't have those entirely nailed down yet frankly. It's in process. We have to have that done later this year. The two main populations within the city are actually not the subject of the plan so owls that are at the airport, owls that are at the treatment plant are not being -- those sites are not the subject of this plan. And so it's been a bit of a challenge. And we look forward to making progress on that as we continue through the rest of the year and put out the draft plan so we'll be reporting back at a future date hopefully with a strategy that meets our permit requirements in Fish & Game and also is satisfactory to the stakeholders around that are watching us very carefully.

>> Ken Schreiber: So Aconi, if I can just -- an observation is that Fish & Game staff have been very, very supportive in trying to find a creative way to deal with western burrowing owl. And I'm sure they like the owl, and that could be part of their motivation. But part of their motivation certainly is if they don't get it covered in the plan, they know they are going to face more and more individual project applications, each one of which will consume a great amount of Fish & Game staff time, engender long delays in projects and probably rather difficult negotiations between the state and individual developers. Whether again public or private sector. So their motivation for getting it in the habitat plan is in many ways part of our motivation to get the permitting out of state and down to the local level. It will just make life an awful lot simpler in the future.

>> Councilmember Pyle: So you're going to come back and see us on August 9th, is that correct, at council?

>> Aconi Danielson: Actually August 4th, so the next steps as we move forward with this, the fees that go with the plan, the streamlining aspects of the plan are of primary importance to our development community. So we've been talking to our developer colleagues over the last several years. We'll be going back to the developers round table in mid July, with an update on these issues and others that are in the second administrative draft. We will be holding a study session at our Planning Commission later in July, and we'll be coming to the full City Council with these topics on August 4th, so your first meeting back

from the recess. And so you know, whether it's today or whether it's at that meeting your comments and direction on these issues as we move forward are important. The feedback that we received this summer will then be taken back to the liaison group again of which Councilmember Chu and Councilmember Kalra are members in August, and subsequent meetings through October. The draft plan and both the EIR and the EIS under both State and Federal environmental laws, those will be available towards the end of the year. And the plan should be ready for adoption sometime in the fall of 2010 and in place by early 2011. So that is our general schedule at this point.

>> Councilmember Pyle: Great. Are there questions? Sam. I mean Ash.

>> Councilmember Kalra: Thank you. Thank you for the presentation. In offline discussions with Aconi and what I have learned from the liaison group and here today, I do think that you've laid out some of the key concerns, and the joint power authority or some version of it may be the best approach for us to advocate from a city perspective, because it does get us that seat at the table. I think anything that will put control, I think at the state level, certainly, but also, you know, there's an option for elected body and all that. And I think it's really important, given the length of the -- of whatever agreement is reached, the length of time as well as the significance, as Aconi was mentioning, that although most of our impacts or the lower impact is on deeds, the volume is pretty high. So it does have a cumulative effect that is pretty profound, is quite profound, and obviously as Vera mentioned, the land use decision making power being independent is critical, as well. But all in all, just given the size of the seven agencies, the size that we have in terms of the land area, and I think the significance of some of the decisions that are going to be made over the coming years, I think it's really important to find some kind of format. I know -- and you went over some legal hurdles, but I think that we can probably find some format which allows us to have our seat at the table and to have a very clear -- our voice very clearly heard. And that would be the biggest concerns that as a city we should have is to make sure that we have that voice. And then when it comes -- also mentioned the startup fee, so to speak. You know, clearly, we as well as most of the other jurisdictions that are involved, and we're not flush with cash. So that is going to be a challenge, as well, but I think the stronger voice we have in determining what the format is, given that we're going to have to be putting in a lot of money given the size of our city, that that's also going to be important for us to be heard clearly on that, as well.

>> Councilmember Pyle: Sam, did you have --

>> Councilmember Liccardo: Yeah, thank you, Nancy. I -- at the 20,000 foot level, I want to just ask what the developers can get from this scheme, and by that I mean this. I understand that the -- you know, it's really a federal mandate that sort of got the ball rolling on this. And I appreciate that it's not really our ox that's getting gored in terms of the fees. It's really the communities to the south of us here in San José. I think you'll find very strong sentiment that's pro-conservation here in this city. You might find a somewhat different sentiment south of here. And to get Morgan Hill and Gilroy and others on board, I would imagine there would need to be some assurance that by paying a fee, you can get some level of CEQA clearance or something like that. And my understanding is you don't get that from this arrangement. Is there anything we can tell the developers that they get this, in exchange for this fee?

>> Aconi Danielson: There is -- there will be substantial benefit in terms of CEQA for projects once this plan is adopted. So as we review projects today, to the extent that they have impacts on any one of these species that we're talking about, they have to go off and negotiate individually with one of those wildlife agencies. We have a much more cumbersome CEQA process. As we do a case-by-case, their mitigation gets dealt with on a case-by-case basis. So what we think is that when this plan is in place, we will essentially have off-the-shelf program mitigation that an individual project can pay into. We think that long term, when this plan is in place, that CEQA process, at least for biological issues, will be substantially streamlined in terms of the time. And then the mitigation options are available. They're going to write a check, as opposed to having to go off and find land and negotiate an easement or otherwise buy it and handle it themselves. We think that long term, this will be a substantial benefit as least in terms of dealing with biological issues and the way that we implement CEQA.

>> Councilmember Liccardo: So what has me concerned, I'll take myself out of the shoes of a developer and put myself in the shoes of an environmental advocacy group. And I'll look at this and say, well, I don't really think that habitat could be fungibly traded. Habitat is site-specific, it's species-specific. So the fact that we have just set up this JPC or whatever this ends up becoming, and we've asked someone to pay a fee, and now we're going to have habitat for whether it's a burrowing owl or some other species somewhere else, you know, I don't believe that protects this species at this particular place. So why shouldn't I litigate this? And you know, unless you can tell a developer that they're barred

from litigating, or you can assure the environmentalist that this is the best possible result we can get, it seems to me we're still going to be sucked back into battles. And so I'm trying to understand, it may provide some amount of clearance, but isn't the litigation going to come anyway?

>> Aconi Danielson: Well, your comments are correct in that the plan actually assumes that all lands within our urban service area would be developed with urban uses. So to the extent there is habitat within our urban service area, assume that's going to go so the mitigation will be offsite. We're not having to carve off little pieces of remnant property on individual properties and save those in an inefficient manner. The plan in terms of its impacts and the mitigation it provides at a very high level assumes all of San José's urban service area will be developed with urban use. So that is the benefit that we will see. And in return, the planing will create a habitat reserve system of 48,000 acres that will be actively managed over the course of the 50 years and beyond and so really that is the tradeoff that you're getting a much more holistic programmatic landscape level mitigation package and San José's getting to have its cake and eat it too. We're going to develop in the areas that we want to develop and the important lands outside of our service area where the real habitat is those will be protected and Ken can speak to the perspective of some of the biological aspects out there. There is the stakeholder group that has a number of environmental organizations that meet monthly so they have been carefully scrutinizing this plan.

>> Ken Schreiber: We have a very good, a very active stakeholder group that meets monthly. Sierra Club, Audubon Society, Nature Conservancy, Native Plant Society, Committee for Green Foothills are active participants in that along with a variety of other -- I mean, environmentalists and people from the development community and the general public. And that is one of the tensions that people grapple with in terms of, if we do this, we have less of an opportunity to control a particular development project, and is that loss there worth the much better mitigation, integrated mitigation and not just buying land but managing the land. And thus far the feeling has been yes, but the environmental representatives certainly continue to push and pull and prod the process to make sure it is rigorous enough. I guess if I could put my hat on -- I was a community development director for 17 years in this county, and one of the refrains I've heard from the development community was give me certainty, let me know what the rules are. And one of the terrifying things of course is if you don't have certainty in terms of what type of permits you need, how long it's going to take, what it's going to cost. And that's what I think is on offer here from the standpoint of the development community, including public sector, is that there can be certainty regarding endangered species and habitat rules, rather than a case-by-case figure-it-out in some conference room or a couple of years maybe in Sacramento or Yountville or wherever the negotiation occurs. So when a developer comes in or a public sector project comes in, right from the get-go, you can say here are the rules, here's what you have to do, here's what it's going to cost you. And submit the information, we'll process it with the CEQA application, and you'll be in and out in your normal process.

>> Councilmember Liccardo: I guess what I fear is, if we go through all this then without some, I can't say it's a big fear of mine but what I anticipate the fear of the developers is, if there's not some enacting legislation from Sacramento or Washington that says everybody's bound to this, and if you have any gripe, the state courts and the federal courts don't have jurisdiction to litigate it because it's all worked out here, unless that's established I don't think developers going to get that certainty --

>> Councilmember Pyle: I'd like to mention one thing. We're running about a half an hour late. In the robust discussion it's wonderful but we're going to have to reserve a lot of it for the August board meeting. Rose, is that your question?

>> Councilmember Herrera: I think this is really brave. I'd like to thank Aconi and Ken for bringing this forward. It really seems like a very smart plan. It is going to give us certainty, as far as where we want to have our growth in San Jose within those urban service boundaries and it's going to give us the certainty as you said for maintaining habitat. And it's involving a whole -- all the region involved in this so I like the idea of the regional planning. I just had one question, Summerhill homes has come forward to question their designation. Do we anticipate a lot of other developers coming forward with the same kind of concerns?

>> Ken Schreiber: Short answer: I don't think we'll have a lot of other developers, other property owners. There may be a few others floating on the edge of the process that are going to make their voice heard in this. I've heard from one other, which is a county issue rather than a city issue. I don't think there are a lot of these, because by and large the line between the zone A natural and the zone B disturbed land pretty much follows much of the urban area already, the urban service area. So I don't think we have a -- have a great group of these to deal with.

>> Aconi Danielson: This is a pretty unique situation on Communications Hill. We haven't heard from other major property owners so far.

>> Ken Schreiber: And we certainly will be working with Summerhill on this issue. We will get this addressed.

>> Councilmember Pyle: It's going to be an interesting meeting on the 4th. Stay tuned. Thank you very much. Great presentation, really enjoyed it. May I have a motion to approve?

>> Councilmember Herrera: Motion to approve.

>> Councilmember Pyle: Second, all those in favor, that is unanimous. So we are moving on now to the -- get my glasses back on, creative entrepreneur project. Welcome.

>> Kerry Adams Hafner: Good afternoon, members of the committee. My name is Kerry Adams Hafner. I'm the Director of the Office of Cultural Affairs. It is a pleasure to be here this afternoon. I wanted to give you an update on the discovery phase of a new initiative coming out of the office of cultural affairs called the creative entrepreneur project. A little bit of background about this project. As you know, the economic development strategy for the City of San José lays out a very ambitious vision and calls that San José will be a leading world region for innovation, it will be a creative community, it will foster a entrepreneurial environment, be a place of opportunity and be the world's most livable big city. And realizing this vision for San José requires an investment in our business sector and notably our creative industries or its related businesses. The creative community attracts talent through developing a unique sense of place, particularly in our downtown, while sparking innovation. And there's a lot of data out there that has a correlation between a cultural community and high real estate values and we also know that a community with a strong cultural sector has a very strong indicator of a quality of life. And so the creative community helps realize its economic development strategy and within the creative community there are several spheres. There's the arts providers, there's both the commercial and the nonprofits, there are the consumers and the participants, and then there's what I call the backbone of the artist -- of the arts community and that's the individual artists themselves. They are -- they cross disciplines, they're writers, they are graphic designers, they're painters, they're sculptors, their playwrights, you name it, actors, but they're creative. They are the people that are entrepreneurial and help really fuel the creative community. So at this point I'm going to turn it over to Lawrence Thoo, who is our arts program director. And Lawrence, I want to just give him credit for being the initiator of this project, and also the project manager. He's going to discuss -- give you an overview of the project and also discuss the key findings.

>> Thank you, Kerry. Going into the creative entrepreneurial project we identify four objectives. The first was to identify and establish effective communications and positive relationship between the city and the full range of artists, living and working in San José, we also wanted to clarify and understand the areas the career development challenges and opportunities that San José presents for artists living and working here. We wanted to test a number of preliminary professional development and funding opportunities and identify other strategic pathways that can help San José become a much more artist friendly community. One where artists can be much more successful in building and sustaining a significant part of their professional careers. And then, finally, we wanted to improve both city and external resource bases for the implementation of these pathways. In order to successfully approach these four objectives we reached out to a community based partner, the center for cultural innovation which although a relatively young organization, very quickly established itself as the leading agency in the State of California focused on the artist as an economic player. And focused on understanding how to best provide professional development opportunities for artists to be successful entrepreneurs. The CCI in turn reached out to Dr. Ann markeson who is a leading research economists and one of the key researchers in the area of the creative economy to conduct a major portion of the creative entrepreneur project. In order to sustain and support these efforts we developed a steering committee comprised of about a dozen distinguished individuals from the community both artists as well as business entrepreneurs. We also reached out to members of the civic and philanthropic communities and to leaders in certain key city departments. You'll find a list of the members of the steering committee in the memo that accompanied today's agenda. The process that we developed was comprised of a number of key elements. We wanted to conduct an online survey for which we developed outreach not only in English but in Spanish and Vietnamese as well to try to ensure that we encompassed as much of the artist community here as we could. We wanted to analyze existing census employment and other data. We were thrilled to discover at the end of this process that more than 700 individuals responded to this survey. They represent about 15% of the artist population estimated in this area by the 2000 census. And about a threefold increase in

artist participation in survey based on prior surveys that had been conducted of the artist community by other agencies here in the South Bay. So that was really terrific response from the community. We intended to convene the artists and we did so in a first-ever in San José town hall specifically focused on artists. We did this here in City Hall. We took it as an opportunity to share the findings from the survey, to allow the folks attending to ask questions and discuss the implications of the findings in the survey, and to share information with artists about already existing resources in this area. We then conducted, on a pilot basis, an entrepreneurial training workshop called The Business of Art, for which 42 artists committed 18 hours over eight weeks to focus on a variety of learnings arounds conducting business as individual artists. A process that concluded in cluster counseling sessions for these 42 participants. They then had an opportunity to apply for encouragement grants to take the first concrete next steps that come out of those learnings and we're pleased to report that 32 artists were successful with those grant applications. We then took those lessons learned and incorporated them into a report which you have with you this afternoon and also includes a set of recommendations that were developed with the steering committee. So what were the key findings out of the creative entrepreneur project? There were about six of them. And run through them very quickly for you. We learned that many nearly half of the artists who took part in the survey told us that San José area housing is not affordable for them. This probably is not a surprise. Housing here is very expensive. Of the real upshot of it though is that compared to other communities in which artists congregate the proportionate cost of housing here puts housing out of the reach and makes San José a much more challenging community for artists. We learned that San José artists subsidizing their own art work quite heavily, more than 60% are not able to cover their creative work costs, materials studio space et cetera, from art income and fully 80% of artists in the South Bay report they can't make a living from their art work. This is important as you will see in the context of another finding that I will tell you about in just a second. But let me first share with you that nearly 40% of the responding artists also told us that they have inadequate access to the kinds of tools and work space that they need to create, refine and produce their work. We learned in this survey that strong majorities of San José area artists want to be entrepreneurs. They want to control and manage their own economic destinies. They seek the training, resources and space that will enable them to improve both their art and their ability to make a living from it. We also learned that San José artists would prefer to rely on market income rather than grants for their livings. So this ties back to that finding about a large majority of those artists currently not being able to actually make a living from their artwork. Now, grants still play an important factor in providing if you will initial investments and bridge investments in their careers. And so those same artists told us that they are frustrated with their knowledge of grant getting opportunities in this area. And finally we learned from those artists that many, many would like further training in their current art form and in using new technologies and learning business skills to both make and market their art. They cited as barriers to training: cost, lack of information, scheduling and the lack of time. Kerry.

>> Kerry Adams Hafner: Thank you, Lawrence. So the steering committee and the project team distilled out of this qualitative and quantitative data approximately six policy and program recommendations. The first one is to create Web based resources. We need to be a city that welcomes artists of all disciplines. So finding a site or location for resources that will help artists further their career online is one of our key goals. Also, to provide a form online for individual artists. We also know that San José, one of its barriers to access, is in fact its size. Because we're so large, artists don't often see each other. They need to learn from each other. They need to be a resource to each other. So there's both a place where you can go to get resources but also to exchange resources. Secondly, artists want to convene. We heard overwhelmingly from the town hall they want to be together more often. They want to learn from each other. They are a community that needs to be recognized. And we had overwhelmingly success and enthusiasm from that town hall and that's something we're going to look to do in the future. Three, offer training. Trainings that will help improve business acumen for individual artists. But also, trainings that will help improve disciplinary skills for artists, as well. 4, to provide artist fellowships, scholarships or technical assistance programs, give them access to resources to further their skills. 5, to explore space. Space was this permeating theme, in all of the conversations for individuals artists. Whether it was live space, work space, live-work space, presentation space, commercial space, space to sell their works, space was this ubiquitous tommic and a big umbrella that we really need to unpack and get our arms around and look at several different types of strategies to implement that and then finally 6, to explore an artist taught innovation institute for business executives to help catalyze creativity and innovation. This is kind of a flip of the business of art training. It's really an opportunity to provide artists to teach our business sector how to increase their capacity for creativity and how to apply it in new, innovative ways. There is an excellent

model in Charlotte, actually. It's called the McCall Center, and there's actually a waiting list for business executives to participate. It's a great program. So beyond discovery, what are our next steps? This is really where the rubber meets the road. And I just want to acknowledge that midway through this project is when we had the precipitous hit of the recession. And despite these challenging times, since we're going to have limited resources, both staff and economic, we know it's very important to press ahead with this project, to really transform the opportunity landscape for the individual artist or the creative entrepreneur here in San José. So we've developed a work plan bearing the economy in mind, and our near-term strategies are to develop web-based resources. We're working on that right now. To invest in a creative capacity fund, and to provide San José artists access to regional professional development scholarships, also to provide additional training and grants for San José artists. We're going to be working with our sister agencies here within the city like Work2Future, for example, also our public art program. And also, to provide additional business trainings and grants for San Jose artists. And finally, in order for this to be successful, the city can't go it alone. We need to meet with our area artists and local organizations to identify potential partnerships. And just some of the potential partners include city agencies, foundations such as the entrepreneur foundation, target, Hewlett Packard, also as I mentioned Work2Future and also other business development organizations. So mid term, we're going to start on this now but we know that this will take a little loaninger we need to really start to unpack the space issue and look at ways in which we can incentivize space. So that we can help promote spaces where creativity can happen. So this includes things like commercial galleries, commercial space for artist studios, retail, and art support businesses, by art support businesses I mean things like music stores, art supply stores, places where artists go to buy their products or their materials. And also, venues, that offer performance opportunities for local artists. For example we know that live music there was a lot of interest in really promoting live music here in San José so how can we help incentivize that? And then of course long term, really like to partner facilitate the development of well designed and affordable artist live-would be and artist work spaces and you know for these to be successful they need to be very thoughtfully designed so they're large enough to accommodate the needs of different disciplines. So whether you're a welder, a welder and a poet have completely different space needs. So really looking at ways in which you can assess the needs of different disciplines and provide for those. And then just in closing I just want to say that this has been a really terrific process. We're looking to brand this program and move it forward. And that concludes our report and at this time I'd appreciate any questions you have. Thank you.

>> Councilmember Pyle: Well, thank you. I'm sure we all want to start our own little form of Greenwich village. I don't know how many of you have visited there, but it's really a fun place to go. So do we have questions? Okay, ash gets to go first.

>> Councilmember Kalra: I had a question in regards to the outreach, just in terms of ensuring that we're reaching a diverse -- particularly a diverse ethnic audience in terms of artists. I know that sometimes, particularly those in certain ethnic pockets, they are not in the loops of what's happening in city hall, of what's happening in terms of these types of outreach projects or what's happened with the artists' commission, they're just not in that loop. And so how have we and how can we in the future be assured that we're doing everything we can within reason to reach out to a diverse group of artists?

>> Lawrence Thoo: I think one of the things that we deliberately did with the project itself at the discovery phase is to test the variety of mechanisms for getting the word out. Primarily around the artist survey and then around the training opportunity. I don't think we have an absolute read on what works and what didn't. Although we do have some sense from the returns on the survey that we did a reasonably good job of reaching further than we normally do in our communications. We tried, we -- we worked with a variety of community based organizations that we had previous identified as having strong relationships with individual artist communities to help us get the word out. Many of these organizations are rooted in a variety of culturally specific communities. So we depended to a large extent on those folks to get the word out, especially to the Vietnamese and the Spanish speaking artist communities. And we think that they were quite effective. They were probably more effective in some respects that some of the other approaches that we also took. We deliberately designed and created advertisements in both Vietnamese and Spanish and placed them in publications and periodicals that were rooted in those communities in order to help spread the word out. That was important for us as well because we were trying to reach beyond sort of the traditional artist community. We wanted to get beyond the obvious painter or the obvious musician, reach out to a wider breadth of folks, designers, game designers, graphic signers, and so on and so forth, that often fall out of the loop in artist communication. We also relied a lot on second

generation e-media. So we worked with our partners to use mechanisms like Facebook, which actually have become important mechanisms for communication, especially among younger people in those communities to try to get the word out. We've now developed a number of protocols into our systems, and as we move forward we will continue to rely on those kinds of mechanisms as appropriate to get the word out into the -- into a broad community and will continue to push at the edges to see how we can -- it is new territory for us, quite frankly.

>> Councilmember Kalra: Thank you.

>> Councilmember Herrera: I think this is great. And you know, the arts community, as Kim Walesh talks about, we need to create the softscape, not just the hardscape in San Jose, to really invigorate our community. I was looking through this as you were speaking. I just wonder if you could summarize. What would be the top three things we need to do to create a better environment, a more artist friendly environment in San José?

>> Kerry Adams Hafner: Space, space, and space.

>> Lawrence Thoo: You took the words out of my mouth.

>> Kerry Adams Hafner: Yeah, I mean that was just the overwhelming feedback that we got from individual artists was this need for space that's affordable. And when I'm saying space, there is so many different ways in which -- it's space to present their work, it's galleries, it's somewhere to sell their work, we really need to also promote the infrastructure that accepts and responds to the creative industry. So concurrent with building space, you also have to build, so for example, a collecting communities. And art collecting community if you're talking about visual artists. So I would say space was the number one thing that I heard back, but also I think training and convenings. I would say space, training and convenings are the top of three.

>> Councilmember Liccardo: Thank you. I want to say thank you for all this effort, this analysis and this enormous amount of work has gone into this. I had an opportunity to see the art object gallery show in February, which I think was a produce of some energy that was generated in a few of the training sessions. It was great to see a lot of first time artists I think and when I say first time I mean in the sense ever their presenting for the first time publicly. These are folks that had been doing it for many years but hadn't quite mustered the courage. And they got together and put this on. It was great do see and hope we see more of that. Question I had related to what we've done with these findings so far. Have these been -- have we brought these out with arts council, are we getting feedback now from those groups?

>> Kerry Adams Hafner: So in terms of our rollout, what we've done so far is, we have rolled it out internally to our internal stakeholders, our different executives that represent different departments. We rolled it out to the arts commission. And we rolled it out to this committee. And our next step is to do exactly that, is to convene a group of interested stakeholders and talk about ways that we can partner to implement this.

>> Councilmember Liccardo: Okay, great. I'm particularly interested in that external rollout. Because I think that some arts organizations are likely to say, hey, we appreciate you guys coming up with these suggestions particularly about space, I know that's an ongoing need. But a lot of arts groups believe they've been doing some of these things in various ways in partnerships all along. If it's ICA they've been doing some kind of business of art type training program. Two fish design has been providing presentation space through phantom galleries. You've got stage craft programs put on by San Jose Stage and other groups. So a lot of folks are out there, and you know, web based efforts like Artsopolis and SanJoséculture.org. I guess the concern I think I'm starting to hear just sort of quietly at this point as hey before the city goes and spends a lot of money on this can you talk to us and see how we can partner and do things collaboratively. I think it would be, given where we are in T.O.T. revenues right now knowing that it's not going to get better for a while, being able to leverage the resources we have out there, particularly the people who are doing it I think would be much appreciated.

>> I couldn't agree more. I just want to say, the way in which we're approaching this project is artists in all disciplines. We recognize the really good value of the work that the artists or those organizations that you mentioned are doing. We are a city of a million so there's room -- I think they're doing excellent work but I think there are so many sectors that really or areas that we need to bolster. We are absolutely looking to partner. We can't do that ourselves.

>> Paul Krutko: So one thought on that I think is that we should do the pieces that we do well and lets the arts community do the pieces they do well. And we have significant resources to support entrepreneurship in general. I think what my take away from this work was, and it's one of those things

that Kerry and her staff has worked on and I'm not, I'm a consumer much like the committee is in reading it and how to use it. It seems to me that what would be the right way to approach this is how do we link, for example, using our boss system, our web 2.0 platform, how do we get artists who are interested in being entrepreneurs to connect to resources that any entrepreneur can use. And perhaps what we do with our partners in the arts community is help them not focus on reinventing that wheel. How to get a bank loan, how to do whatever. But more on the specifics of being an art entrepreneur, which is different from being a software entrepreneur or being -- that's the distinctiveness of the enterprise. It would seem to me I think you're right, councilmember, that it would be a complete mistake for us to replicate arts entrepreneurial programs that already exists. By the same token, it would be a complete mistake for arts organizations to replicate entrepreneurial training, right? So I think that's what I'm going to kind of -- my counsel for the staff will be, as they advance that, that we each do what we do well. I think the other notion in here that is really important, make sure I toss this to John, is to the degree we can, and communities have, and I know this community has looked at vacant space and encourage the temporary gallery, the activity of that nature, that creates vibrancy on the street when you don't have it. And we've done that a number of times with ZeroOne and a number of arts festivals, something you can remember, you can activate vacant space with and it gives a venue for the artist and things like that. Your point is well taken.

>> Councilmember Liccardo: Thank you Paul, I appreciate that. I agree with what's been said. I hope that in this outreach effort we're really using this opportunity to survey what folks are doing out there that we may not be aware of, because I know a lot of folks are in small conversations and in different parts of the city.

>> Paul Krutko: Yeah, I think the other point I would just make, and I just want to reinforce what Councilmember Kalra said. One of the things we have to be very careful in this community is, that we may need to replicate some of the arts entrepreneurial programs for certain ethnic groups or for certain subcomponents of our community who don't feel comfortable or not tied into the mainstream arts community, right. So that's the other part of the survey, let's make sure as we look at the folks who are delivering these programs, what's the diversity of the populations they're serving? Maybe we can encourage them to broaden their -- who they're serving or we may have to create a special program in a special area.

>> John Weis: In response to what Paul was saying, as he was speaking I was making a list here. We had provided space for two fish, San José stage, theater on San Pedro Square, Collide, The Works, which had gotten into some difficulty, and MACLA, in spaces that either we own or have participated in over the last ten or 15 years. And so it is something that we respond to, council and the board have responded to, and we've been able to participate, but we've gotten involved in that in a way we get involved in a number of things. It's not been comprehensive, it's been as the need came up and we responded to it. So -- but I think each of those institutions you know provides a different aspect of the art culture within San Jose today. But it is like here and there and as the demand came up for the individual institution, the board and the council asked us to respond and we were able do that.

>> Councilmember Liccardo: I think the list will grow longer as you think about it. You've got Tyco and Art Arc and several others.

>> John Weis: Yes, Tyco, I forgot about that.

>> Paul Krutko: Yes, I guess the one thing I was suggesting is that we look for many, and we've done a bit of that in our own space out front here, is where you have the space that doesn't have any activity going in it, how do you -- John was talking about, and I agree with him, great support for standing arts organizations, creating venues for them. It's what I'm talking about more in this entrepreneurial thing. It's somebody who goes into the space for a couple of weeks and just shows their paintings or shows their sculpture or something like that.

>> Councilmember Liccardo: But that's what Sanan Galleries is doing.

>> Paul Krutko: Yeah, that's what I meant, yeah.

>> Lawrence Thoo: One of the keys of this exercise for us was the realization that there is a substantial artist community here and one that wants to be larger wants to take control of its own destiny and not be if you will subject to what organizations are doing. These are the artists who are really interested in being entrepreneurs and the piece that's missing for them in space, apart from sort of presentation opportunities and whatnot are work spaces that are independent. Work spaces that are for them as individuals or as collectives not spaces that are controlled by other individuals. That's that piece that's very, very much missing here right along with the live work kinds of spaces which are a part of that economy.

>> John Weis: We began a program a number of years ago with a number of local developers, David Neil being one of them, and Art Arc, of course, is one of those, and the difficulties they have had in achieving the results that they wanted to do was HUD regulations and what you could in terms of declaring, yes, that will only be for artists. And so when it was completed, I don't know, I think it's maybe 30 or 40% rented to artists, or a bit lower than that?

>> Lawrence Thoo: Yes.

>> John Weis: And so that was frustrating, so David didn't take on another one. But if there was some way that we could go back and relook at that and see if there's some way that we can either do it on city owned property, I know that the City of Santa Clara just did housing for teachers on Santa Clara school district property where they could sell it or rent it to only teachers. And because they owned it. The land. And they were able to do that. So Thompson Dorfman was able to do a project there. So maybe if we can get back into this we could begin to take a look at how this would work better.

>> Lawrence Thoo: Yes, and Santa Cruz has just opened a large live-work project at The Tannery in downtown Santa Cruz which is on property which was acquired by the Redevelopment Agency from the original owners and is on a long lease to a not-for-profit organization that essentially has been given responsibility for the overall management of the site which will be used for live-work work, as well as housing the offices of a number of arts organizations down in Santa Cruz. And they're using a variety of sort of low-income affordable housing bonds as well as redevelopment agency financing to make that work, and they're just finishing the initial phases of the first round of placement in the housing right now and it's working very well. The art arc project was a piece of the investigation in the EP, and it was a right project, but it also reflected some of the concerns that we discovered and that Kerry touched upon, which is the question of design. And art arc, although priced for artists, is not designed for artists. Kinds of spaces there are actually it turns out not suitable for artists who actually want to occupy space that can serve as work space as well, it's really live space -- live space only in that regard, by and large.

>> Councilmember Pyle: Well, thank you for that report. That was really interesting, but very, very comprehensive. Appreciate that. Any other comments? Are there any people in the audience wishing to speak to this subject? With that, all those in favor, aye, unanimous thank you very much, we really appreciate that. And we are now at the point where we have open forum. I wonder who that is back there that wants to speak? Hi, David.

>> David Wall: Solution time. One thing we heard today, out of a lot of manure speak and no solutions, lot of people, right? One common denominator. Everybody in this room gets hungry, me more than most people. But you have a lot of farmland that's not being utilized. Your sister councilmember, Councilmember Campos has chosen, rightfully, wisely, to go down this sustainable agriculture path. Just one-acre plot out at Emma Prusch park has excited a lot of people at San José state which you should partner with. The water pollution control plant land, for example, Coyote Valley is set up uniquely for these purposes, predominantly water pollution control plant land because they have an incredible amount of groundwater. You can protect the burrowing owls out there, through sustainablable agriculture because you don't need machines like regular corporate farming. Each week, each day that this ground lays fallow, look at yourselves. It's not me to blame. Okay? Think of all the fruits and vegetables that can be grown locally, reducing the carbon footprint. All the good stuff that all the environmentalists talk about but yet you had restaurant talk all part of this afternoon. Where do they get their food? You need food. We could hold the Bay Area at our mercy with food production. The other thing I want to talk about, water pollution control plant land, which is bad for the economy, is that little deal that's pending with that zero waste energy. Now I'm not sure if I had the exact name correct. But that deal is a bad deal. Kills owls, exhaust, greenhouse gases, will use more energy than it will create. It will create odors, a perpetual bad wind machine. And that's just the starters because it relies on federal funding, just like that Tesla deal. And that thing was a mistake, too. I don't fault people for trying to come up with programs that benefit the economy and the environment an everything else. But there is no substitute for intelligence. And stupidity is something not to be cherished. Lastly, the Office of Economic Development should be funded on performance based solutions, not this grandiose stuff about light rail, you know, fast rail here, or this, what you can do for me today? Not I'll gladly pay you Tuesday for a hamburger today. Once again, this is not my fault. Personally, I would strip the Office of Economic Development of all general funding. You could set up a certain fund scenario where they can demonstrate what they've done money-wise to allow their little programs to exist. The worst group of special interest at City Hall is staff. Thank you.

>> Paul Krutko: I would really like if you would set up a fund on what generate at city and leave it to us. Thank you. That would be a great idea.

>> Councilmember Pyle: Thank you, David.