The following transcript is provided for your convenience, but does not represent the official record of this meeting. The transcript is provided by the firm that provides closed captioning services to the City. Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

>> Councilmember Pyle: Ladies and gentlemen, we don't have a quorum yet but we're going to begin and take care of all the informational items. We will begin with the work plan. The first two items, the economics of place and major league baseball have to be deferred, there's more work that needs to be done. Yes. Dropped entirely. Let's move on to the consent calendar. We'll take that up when we come back. Let's begin with reports to committee. Kim your report on how things are going.

>> Kim Walesh: Great, Madam Chair. Good afternoon everybody. I'd like to start my report by recognizing Paul Krutko, his eight years of service to San José, and in particular, to this committee. I think we all know Paul brought a lot of smarts and passion and tenacity to creating a citywide approach to economic development and engaging councilmembers and staff by that. So I just wanted to start by recognizing Paul. Secondly I'd like to just reiterate a little bit of thinking behind the purpose of this presentation at each council meeting. I mean each committee meeting. It is intended to provide a bit of behind-the-scenes look at the month-to-month work of the Office of Economic Development. And the reason for that is I think we all see a lot of very visible announcements and we see formal reports coming forward to this committee, but we wanted to give the members of the committee a sense of what the ongoing work is in terms of opportunities that come in the door and things that we're proactively working on. It is intended to be illustrative, I think that's an important point, not a comprehensive report every month. And also I just want to be clear that OED leads the citywide economic strategy which involves virtually every single department of the city and of course the agency. So collaboration is inherent in everything that we do. So just some highlights from the last months. One of the key roles is clearly to facilitate business and retail development. We have been working with three new very large high-tech tenants interested in moving into San José. We are working with Brocade to sign a new grocery store in their at first project which is really exciting. We also -- part of our attraction work focuses on higher education institutions. So we had a tremendous meeting with the team from the University of San Francisco to discuss locating a satellite campus in downtown. They're particularly attracted to opportunities to partner with the city on Green Vision, and actually we are in conversation with two higher education institutions potentially interested in a San José location. We -- increasingly we need to help our companies access state and federal funding. We had a great example of that this last month with staff helping SunPower complete the work that we needed to do with the state for SunPower to benefit from $30 million in recovery zone facility bonds, which helps them construct their new headquarters

location in San José. So I think you're going to see more of that in the future, helping our companies hustle to access outside funding. We also facilitate the expansion of companies that are also here. I think you know how important auto dealers are to the future of our city, so we're proceeding with expansion efforts for Mazda and Subaru on capital auto row. This will represent additional sales of $5.5 million annually, so very significantly expansions there. We also continue to work on the Arcadia, Almaden, and Evergreen retail projects, to move forward with the entitlement process. Each project has the potential, combine to generate about $5 million in new annual tax revenue for the city, so two very important projects that continue to move forward. We also continue to lead the multi-departmental team that the mayor directed, the jobs and revenue generation group, to fast-track construction of 3600 housing units. So since council approved moving forward with that on November 2nd, we continue to work with four companies: Fairfield, Irvine, Essex and Equity, to secure their documentation and quickly move forward with their projects, ideally by December 31st of this year. And then last, I think you know, cities are in stiff competition to be the place where startup companies want to locate. So we have met with six startup companies in the last month. We are very proactively going out to companies that we know have gotten additional rounds of venture funding about how to keep them growing in San José. I think the second big area we are really diving into is accelerating the clean tech industry cluster here in San José. I know I gave a talk to 400 people in Sacramento last month at a clean tech conference. They're blown away in a way by the sophistication of our efforts here to help incubate new companies to demonstrate their technology to help commercialize. And we do this in a variety of ways. One is that showcase opportunity you see right across from City Hall opening on December 8th with ESD. We will have the solar city clean energy showcase, a fabulous opportunity for large and startup solar companies to demonstrate their products. Two weeks ago, we received notification we're the only U.S. city to receive an invitation from Lawrence Berkeley National Labs to partner with them on urban heat islands and cool materials project. This is a real honor to be awarded. We, several -- earlier in the year you may have remembered we competed for the ERIC, the federal energy research innovation center. We didn't get that in the national competition. However, we developed a tremendous partnership with Lawrence Berkeley lab as a result of going through that process. Which is now clearly going to bear fruit for San José. With D.O.T. we had the pod car conference here in late October. Great opportunity to position our city in green mobility. We also received word two weeks ago that OED's application to the economic development administration for a $4 million EDA grant to support the new San José environmental incubation center, a place to demonstrate technologies, has

been moved forward from the Seattle regional office to D.C. So we are finalizing that application, and hopefully the federal appropriation will be there in the next several months. But that is certainly very exciting. We continue to meet with companies in this area, most recently Panasonic labs and Bentech about their ongoing growth in San José. There is also interesting international dimension to this in that with the government of Osaka, which Osaka is the leader for solar technology in Japan, we had a half-day seminar focused on partnership opportunities between the two regions. The next area is workforce. I think we know with over 100,000 people unemployed in the San José area how important our workforce investment board efforts, they are the federally funded efforts, they are the only, the main way for people in San José to get access to training and career opportunities. You're going to hear their annual report in a few minutes. But I just wanted to brag a little bit about them personally because I think we need to appreciate how big a difference this work is making in people's lives. They have been working with 500 ex-NUMMI employees the last six months. We secured over $3 million to help them retrain for careers in clean energy and advanced manufacturing. We received nearly a million dollar grant from the state of California to help public sector workers who have been laid off including our own San José employees. We are partnering with Evergreen community college district on a green innovation challenge program which again is helping people prepare for energy efficiency work. Actually in D-10 and D-7 we sponsored workshops for youth to practice their interviewing skills and develop resumes so that they can get into the workforce. And then received two honors the last month. One was our Work2Future was identified by the U.S. Department of Labor as one of the ten best workforce investment boards nationally for our program for at risk youth to help them with summer employment. And we also received an incentive award from the state of California. We were one of the WIBs in California that exceeded all nine of our federally mandated performance measurements. So the significant operation and you'll hear more about their work this afternoon kind of looking back on the year. In the area of communicating a positive message about our city, which is now more important than ever, we prepared this citywide key message brief which is something you had asked for as a tool for councilmembers and on city staff and community partners to all be singing from the same song sheet, in terms of the positive things happening in San José. And we will update that periodically. And in the last area of course is arts and culture. I think we all know how important it is to continue to raise the cultural profile of our city, especially as we compete for talent, which is an area that we are lagging at. And so some positive things to emphasize here. A couple weeks ago, the National Endowment for the Arts and the mayor's institute on city design released a national report, and San José

was one of 13 cities featured as a national leader in how we use our arts to connect it to the economy. And the ZeroOne initiative and the creative entrepreneur project which helps artists become better business people were featured. I think you also saw all the events that have been happening in San José from the Silicon Valley marathon to the turkey trot to the Veterans Day parade to all of the Christmas activities that were launched this last week, and the parade will be this Sunday. We certainly hope that we can see you there. And we're also starting the season where our arts groups, over 100 of them, apply for the competitive grant funding. And wanted you to know that we have streamlined the application and reporting requirements this year which should save time for program -- for program participants as well as for staff. And then the last two things I want to mention is part of getting a buzz going about our city is when -- is getting conferences that bring people nationally here and then giving them all the key messages while they were here. We were pleased November 12th to 15th to host the Americans for the arts conference about arts marketing. This is a very competitive process to land. The people here had a fabulous time and were really impressed with the distinctive set of cultural offerings that we have. And then last, we've completed the internal and external review of San José's ten-year cultural plan which is called cultural connection. And you'll see that being brought forward for council review in January. So with that that's sort of a quick behind the scenes look at a typical month with a lot of variety and a lot of different projects moving forward, both proactively and reacting to needs and opportunities that come in the door. So thank you.

>> Councilmember Pyle: Thank you. That seems like for some people a year's worth and you did this in a month. This is great. Questions or comments? Okay, thank you from all. And with that we're ready to move on. To the next part of our situation and that would be the --

>> Madam Chair would you like to do the work plan and also --

>> Councilmember Pyle: Yes, with the work plan we are dropping the economic of place and the major league baseball stadium development. Would I like --

>> Councilmember Liccardo: Motion to drop.

>> Second.

>> Councilmember Constant: And the consent calendar, that is in the packet if you would like, before we vote there is a person who would like to speak on that subject and that would be David Wall.

>> David Wall: It is always a pleasure to be in the presence of Your Honors and I'm overwhelmed and gratified for that last presentation. There's a lot there. We see too many annual reports coming in. Annual reports in my opinion should be chopped up into quarterly reports. Primarily for a variety of reasons, efficiency of the program, cost, savings, the ability of council to make flexible funding allocations during that time period. There is also an inherent --

>> Councilmember Pyle: Mr. Wall, are you speaking on C-1?

>> David Wall: Yes.

>> Councilmember Pyle: Which has to do with small business participation?

>> David Wall: Local business. Is that -- that's what I thought. That is correct. Am I in error? Continuing. The cost of this program, not that there's any nefariousness occurring, but there's always a hidden cost here, and that further augments the necessity for a quarterly report for tracking purposes. Also this type of program crosses a variety of city departments. And sometimes there's different funding sources and this flexibility in funding should carry with it those fund designators because there is always residuals left in certain funds for certain increments of time that could be utilized more efficiently. Other than that, on page 8 or 6, it says by managing, quote, by managing the work in multiple packages, bid opportunities for the participation of local and small businesses will increase. This is a more focused objective modular approach here might be a very significant helpful addition to your decision making. Other than that you'll do as you always do, thank you.

>> Councilmember Pyle: Thank you, David. And then we're ready to move.

>> Councilmember Liccardo: Motion.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: Any questions? No questions, all those in favor. We're moving on now to D, not D but to E. We already did that, I think there's too much turkey in my brain, a little bit foggy. With that we have David Vossbrink and Ed Nelson. Thank you for being here, we're all ears.

>> Thank you, Madam Chair, I'm David Vossbrink, communications director for Mineta San José International Airport. And with me is Ed Nelson, our air service development director. We have here today our semi annual update on our activities and strategies for bringing more flights and more carriers to serve our community in Silicon Valley. Just a reminder what we're trying to do is exactly that, retain and attract flight and carriers, we need both. We need to reach out the carriers themselves, both those that are here today and those we would like to see in Silicon Valley to establish and nurture our relationships with them. The carriers are the ones who make decisions about the flights, not the airports, so we have to make sure that they know they can make their best business decision by being here. That requires us to do ongoing market and competitive analysis providing them with the data about our economy, about our demographics, about their profitable opportunities here. Also means that we need to engage our community, our business leadership, our community, our travelers, to work with us, not so much with the message to fly San José. People are already doing that. But to help us knock on the doors of our airlines to help them make the decision to bring more flights to San José. And once those flights are here, once we have incentive relationships with our carriers we work closely with them for eligible flights in a collaborative advertising program to make sure -- to help us make sure those flights are successful. Now, we have had a number of challenges in San José. Up until recently our airport was not competitive in many ways. However we now have a beautiful airport. It is very competitive. It is very convenient. It is state-of-the-art. And now we have accomplished what we started out to do 20 years ago to bring Silicon Valley's airport to the 21st century so it is very, very attractive for passengers and airlines to be successful here. Our next challenge and this is an ongoing one is to make sure we are competitive. We have don't could provide tremendous service

both for passengers and for airlines, airlines are our partners, therefore we have to make sure he they continue to receive the service that they need to be successful. We as a city are committed to doing that. Earlier this year and spring the council approved the airport's competitive strategy which is focused often keeping our cost low and an information report on the status of the report will be coming to the council this week as we continue to make successful progress to reduce our cost and make sure that San José's airport, Silicon Valley's airport can compete with any other airport in the nation for the airlines who bring service here. And that brings us to the effort to get more flights. This is a challenge that never ends for us, because we have the demand here but we don't have the service yet for it. Our demand is strong. Our flights leaving San José now are pretty much all full. And Ed will be here to tell us more about what that demand picture looks like. Sir.

>> I'll certainly we need more planes. That's it. Not only do we want to have more flights to cities that we desperately need service since Washington --

>> Councilmember Liccardo: Ed could you pull that mic towards you?

>> How's that? I don't come here often enough to understand all that. In any event we're anxious to restore flights to places such as Washington, additional service to Chicago as well as New York in particular. As well as new services with new carriers. So we're marketing directly with various air carriers and we do that on an ongoing basis. One of the issues that we certainly have to identify, or certainly recognize that as we're out there doing this that so is every other city and every other airport's doing the exact same thing so we are all competing for that same valuable resource, and airplane. In any event, the Bay Area airports obviously we offer choices to carriers. San José does not offer very many offers to carriers, that's one of the reasons we need to get that changed. Recently if you take a look at what's happened certainly in the last couple of months as well as what's happening in the next couple of months going forward we've seen quite a bit of service added by our partner, Alaska Airlines. The Alaska Airlines Group, they gave us service to Maui and Kona last March, they are adding Kauai this coming March. They expanded service to Austin. Also adding Cabo and Guadalajara service, so new service to Mexico by Alaska Airlines. Horizon has added service to Mammoth for the second winter in a row. They service Spokane, and they also increased service to Los Angeles. On the other hand, our other partner,

Southwest, the largest carrier at the airport, is also recognizing that San José has some great potential. They started two flights a day to Austin just recently, about a week ago. They also indicated to us they'll be adding service to Denver, Los Angeles, Seattle, Orange County and San Diego between March and June, so we are picking up seven flights a day with Southwest more than what we had beginning of November. Jetblue resumed service to Boston after I guess it was a respite of close to 20 months that we had no nonstop to Boston. So that's done quite well and Volaris the newest carrier to come to the airport is serving Guadalajara ah which is certainly serving to be very beneficial as you flip to the next page, Mexicana went into bankruptcy and they shut down the airline and there is still talks of perhaps coming back in, in January but it's still too soon to tell if it's going to happen. The interesting part is you know we're sitting here looking at we've gone through I guess two or three years in a row of decreases in traffic year over year. And if you take a look at the second bullet point there it shows you that you know in July traffic was down 1.9%. We were down 2.7% in August but for the first time in many months we actually had a slight increase in September of .2%, going out of .3% in October as well. That's two months in a row but the interesting thing about that is the last two months were done with a basically operating 10% less flights than we did this year. So it certainly tells us if planes are very full. And I'll give you a little more details in a few moments on the next page if we flip to that. Yes, capacity is down throughout the whole United States. There's certainly less domestic flying. There's a lot more international flying. People like delta, United they're adding international flights but they are not adding as many domestic flights as they were. We've had in the last six months we've had load factors on four of our air carriers that are just out of this world. American Airlines currently flies six Dallases and two Chicagos a day. Load factor for six months is 94.1% average in six months. Years ago people used to think about 75, 80% was a good month. Now we've done six consecutive months that have averaged 94%. Delta Airlines flies to Minneapolis twice day and Atlanta once a day, 94.8 six months. The winner, Continental Airlines, two flights a day to Houston 96.1%. Hawaiian Airlines, their only wide body, 90.1%. United Airlines, Jetblue, 87%. So we've got some awful high load factors. Now the mission is to convince them that it's time to add capacity here. We have the demand and if they continue to add flights in San Francisco, our customers are continuing to drive up to that other airport. So all right. So I know we had -- we've been to the city council a couple of times in the last few years, we've come up with a better more stronger incentive program and then last December we came forward asking for a new program that would be a little more aggressive. The focus incentive. We're still in discussion with an airline about the focus incentive agreement so

there's a strong possibility we may have that happen in the next six months God willing. But clearly, you need to have some flexibility in the incentives. And it's something that we feel is a necessity. It's tool we need in the tool box, basically.

>> Mayor Reed has made air service development one of his top priorities for his second term in office. He announced that to the airport this summer and he has been actively engaged in working with the airport and the Office of Economic Development to engage our business community and to engage our airlines to deliver more flights. As Ed has noted our flights are full. We need more flights. We can't get more passengers realistically until we get more flights. Even though we are incrementally on the upswing right now we still have a lower number of flights this year than last year. So to improve our numbers we need more planes. To get more planes, we need to make the case to the airlines. This is what the mayor is making one of his top priorities for his second term. He announced last week that he is establishing his air service ad hoc committee, and three of our members of today's committee are members of that, along with the mayor, starting in January. And this really demonstrates the mayor's commitments along with the airport to work with top levels of our policy makers as well as our top leaders in our business community to make the case with the airlines. Mayor Reed has indicated that he intends to visit airline executives, whether they come here or he goes there, and we'll work with business leaders to make the best case we can to do that. We know that we are Silicon Valley's airport. We have global technology corporations within a few miles of the airport who ought to be flying from our airport. Instead they are forced to fly out of San Francisco because we don't have the flights and yet we have the most convenient service here when we request get it. And the argument is that the airlines can be profitable here. There's no competition, we have lower cost, we have no weather delays, we have a strong market, we have Silicon Valley in our backyard. This is a strong business case if we can get the airline industry to recognize that this spells profits for them. A week ago the Mercury News did a front page story on this exact dilemma that we have. Because of economics 101 supply and demand there is too much supply in San Francisco therefore the prices have come down for air fares in San Francisco. We don't have enough supply of seats in San José, therefore the price per seat is high in San José. Although would you think this would discourage the travelers our planes are full, 95% loads is a full plane. So higher fares, lower cost, stronger market, no competition, no delays, you don't need an MBA I would think as the airline decision maker to make a decision to bring a flight to San José. And the mayor will be doing

that in collaboration with the airport OED and his new ad hoc committee. So we want to make sure that as we move forward, we have to work on many fronts. We have to engage our community of travelers to call on the airlines. We have to use the tools of the airport, whether it's incentives or the natural advantages of the best airport in the nation now, that is efficient and comfortable and convenient, and certainly, the political leadership of the mayor and council to help make this happen. Ed will summarize some our current activities and as we look forward to be doing more of the same over the next six months.

>> Just wanted to share with you a recent event that Bill Sherry and I attended in Vancouver, Canada. It is an annual event that we jokingly refer to as the airline speed dating, and while we were there we had meetings with All Nippon, Air Canada, British Airways, Air China, Cathay Pacific, Etihad, West Jet, Kaynan, Philippine Airlines and Japan Air. We also did some follow-up meetings with All Nippon, had people in from Tokyo as well as Los Angeles and the Redwood City office visiting. Councilmember Chu helped us with a meeting with EVA Air. We're having follow-up meetings shortly with British Airways, Cathay and Philippine Airlines to come down and tour the airport. So we now have interest in seeing the so-called "new San José Airport" which is exciting. Besides that we'll continue to do some advertising that will be focused primarily on routes that will be added at the airport such as the Austin with Southwest, Cabo and Kauai with Alaska. So we're not out there promoting San José to the community as much as we are still out there proactively going to the airlines, to kind of keep hitting it with the story we need more flights, we need more flights. We've had some very good rapport going with Kim's group, and we're going to have a phone call shortly with one of the airlines that will involve some of her staff. We'll sort of do a poor man's version of a Cisco online presentation with Delta Airlines headquarters in another week and a half. So we're clicking on all cylinders as best we can.

>> To sum up, we are in a great position at the airport right now, looking forward to kind of the mid term future with the great facility and a strong commitment of the community. Our challenge short term is we still have a very sluggish economy. Businesses are coming back with more business travel but there's a lot of competition for it. Airlines are starting to add capacity but it's slow and in order for us to get more flights an airline has to move a flight from somebody else's airport and bring it to San José until they bring more equipment onto their fleets. So in the meanwhile we have to continue to be present even though the airport has been very aggressive in cutting

costs, we have reduced our staff size, we have found ways to save money all over the place. We still have to invest in marketing. And that means we have to do some travel, some international travel perhaps, we still have to invest in some advertising. We have to do some investment in social media where we are actually behind the curve now so we can engage our travelers and our community for this cause. So there's plenty to do. Our resources are very, very thin. But even as we continue to keep our costs low we have to invest in the marketing efforts to bring our flights here. We know that the solution to our revenue problem for the long term has to be more passengers. Our airport unlike any other city service faces direct competition from every airport in the nation. We live and die by our own operations so we have a great deal of motivation to be successful here because our salaries, our expenses our capital improvements are paid for by the activities at the airport by passengers by airlines. So like any business we are a bottom line. We have to look at that bottom line and make the investments to get that revenue back. With that I'll take questions from the committee.

>> Councilmember Pyle: Well, Ed I'd like to be the first to say that if anybody has put a tremendous amount of effort into this it is the two of you and Bill Sherry. You have just used yeoman's efforts to maximize the airport as much as possible. I'm sure I share that appreciation with my colleagues, that's extremely admirable and I think you're starting to make progress. Questions? Sam.

>> Councilmember Liccardo: Yes, thank you. I just want to echo that Ed and David, I appreciate how you have kept the faith through some very, very tough times. And now we're starting to see the fruits of your labor. I'm thrilled to hear about the Southwest flights in particular. All those other destinations are wonderful to go out for vacation where we'd all like to be I'm sure right now but those southwest destinations are really key as business alternatives. And that's -- we know that's our bread and butter in San José that's what we're going to grow on. So great to hear southwest is adding so many flights. Question about SFO is about when do they max out on capacity? I keep hearing that they've got a limitation because of runway space but they keep growing. Are they going to hit ceiling soon?

>> There's probably not a firm number on that. You talk to some people that will tell you that they're probably about 90 or 95% of air field capacity now and that actually shows up in their delay performance. They have the nation's worst performance record for delays.

>> Councilmember Liccardo: Right.

>> 30% of the flights in San Francisco are delayed, domestic flights. San José has one of the nation's best on time records. It really comes down to weather. We have beautiful weather in San José, San Francisco has chronic fog half the year. The real solution to San Francisco's delays and their on-time performance is to distribute their domestic service to San José and to Oakland. They will not be expanding runway capacity in the near future. They attempted that in the past decade with the bay field option, that was not successful. There are some technology solutions that could allow them to improve their on time performance but that will be a while before that happens. The easiest solution today that benefits San Francisco, that benefits San José and Oakland and by far benefits all of our travelers is for that domestic traffic to be coming to San José and Oakland. That redistributes it. Those are decisions, however, that are not made by San Francisco. But we are hearing some complaints by carriers that the on time issues in San José are becoming a tremendous headache for them. Because it rattles through the entire system. A delay in San Francisco means you're delayed in Atlanta means you're delayed in New York. And passengers know this, and the savvy passengers find alternatives if they exist. And they would -- we would hope they would exist in San José. So that's part of our argument. We have plenty of capacity on the air field in San José. We have plenty of capacity on the terminals in San José. San Francisco is constrained on the air field. Much of that is because of their unique weather challenges. And the solution for that is to relocate domestic service in San Francisco to San José. We have had conversations with our airline -- airport colleagues in the Bay Area here, and there is a technical rational understanding of this, but getting that translated into practicality from an airline perspective is something that takes a lot nor work.

>> Councilmember Liccardo: Right, right, and certainly I know we'll be happy recipients of their overflow. I guess in really going into this chicken and egg problem, that the airlines do have this herd mentality, want to go where the other flights are bought obviously the benefits of having those other connections and so forth and I know San

Francisco has an enormous advantage in that regard, have we extensively examined whether there's any hope that doing a better job of providing a direct shuttle to SFO to and from San José whether it relies on CalTrain or just a direct shuttle on the freeway whether that could help to lure airlines here, and whether or not there would be any source from the airlines that would help contribute to make that happen?

>> I think you have to approach this from a passenger's perspective. Every time that you have to make a transfer in transportation you lose your passengers. What San Francisco is getting is Silicon Valley passengers. We estimate conservatively that 20% of those flights that are coming out of San Francisco are filled with San José passengers, Silicon Valley passengers, that airlines could fill their planes successfully by putting that equipment here at SJC. So it's not a matter of shuttling passengers down from San Francisco. It's a matter of providing greater convenience to the people who would prefer to fly out of San José, who are here now, either working or living, right next door to the airport, that you have to wave good-bye to as they go up 101. So it's not a question of shuttle as much as getting the flight here because of the greater convenience, the greater profitability, the greater service.

>> Councilmember Liccardo: My last question is, and I know this is something that any elected official in San José is hesitant about talking about publicly but what the heck? There is no question that all of the economic, geographic, and other factors would seem to favor airlines making decisions to locate additional flights in San José. Clearly we're having a hard time really selling the Silicon Valley brand that is because it doesn't exist in the name of our airport. And are we at all considering the possibility of including the word Silicon Valley in our airport?

>> We as an airport staff have not addressed the question of formally changing the name of the airport. That would be something that would have to come from the city council. But what we have done is to strengthen the association between our airport and the brand of Silicon Valley, just as San José's the capital of Silicon Valley SJC is Silicon Valley's airport. We've changed our mark just this past six months. We've kept the same name, we've kept the same logo, but we've added the tag line, Silicon Valley's airport. And we're making that reference in all of our conversations with carriers, particularly those who are not familiar with where Silicon Valley is. They

know what it is. In our conversations with Japanese carriers, for example, Silicon Valley is very, very important in branding our airport. And we've done a very assertive job to make sure that understanding is clear, that our next-door neighbors are Cisco, are Google, are Apple, are Adobe, are Hewlett Packard. They are Silicon Valley, they are within six miles of our airport.

>> Councilmember Liccardo: And David that was a very wise decision. I laud you for making that decision, and I know that you are constrained in terms of what you can or can't do. I'm just convinced that San Francisco and Oakland are also selling their airports as Silicon Valley's airport.

>> We have seen that. We have seen, for example, on the San Francisco side particularly internationally, this is the one we have a hard time competing against, that internationally San Francisco does portray itself as the gateway to Silicon Valley. And we know that you're still a long ways from Silicon Valley when you land at SFO. We also see airlines like Virgin America putting on its own website that Silicon Valley airport, its customers fit the profile of Silicon Valley travelers. And I would expect that a high proportion of Virgin's customers are from Silicon Valley. So David Kush, who is Virgin's CEO, actually had a meeting with Mayor Reed just a few weeks ago, was very impressed again with what he saw and heard here. We are working with the mayor's office to make sure he comes back in January for a face-to-face tour of the airport and a look at the passengers that he is attracting to virgin. Because with WiFi, free WiFi in the airport, free plugged in power stations everywhere, every other passenger inside our airport is talking on his mobile device or talking or using a laptop. These are Virgin's customers. They are Silicon Valley passengers. And so it takes that ongoing effort. It's both branding but also it's the relationship and the continuing analysis to make sure that case is in front of every one of those airline decision makers. Changing the name itself doesn't change the actual practical circumstances of what we have to do but associating Silicon Valley's airport with Silicon Valley, with the airlines, is something we'll have to continue and do it very strongly.

>> Councilmember Liccardo: Thanks, David.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: Thank you, so Sam covered a lot of the ground that I was thinking about. Thank you for the report and thank you for the great work that's being done. I've flown out of the airport a number of times since it's been remodeled. I'm just so impressed with it, since we've got our new airport, and hearing lots of really positive comments from travelers, especially the WiFi, and just how convenient it is to fly in and out of San José. So I really feel like we're on the verge of turning the corner on this. It just feels that way, that we're going to get more airlines. I did take a flight though on Virgin Atlantic recently, because I wanted to know what that experience was like. And I absolutely think Virgin Atlantic belongs in San José. I really think that it's the perfect San José airline and I know you all probably feel that way too but I think it's important to go after airlines that sort of fit our mode, and our people, and so that's definitely I highly support that us working on what -- how to reach out to virgin and do everything we can to get them.

>> Just a comment on virgin. They've been in San Francisco for three years and the very fact that they arrived in San Francisco as a startup airline forced Southwest and Jetblue to change their corporate strategies and forced them to add capacity in San Francisco which was actually not warranted by the market or demand. And so if we were to be successful in bringing virgin flights to San José, that would be very significant, both for meeting our Silicon Valley travel profile, but also, sending a very clear shot to the airline world this is where you have to be.

>> Councilmember Herrera: Yeah so I think not all airlines of equal in terms of how much benefit they would bring to us and I think virgin gives us not only another airline choice but the way it matches our market here I think would be very significant. I think we'd get a better return on this than just adding on another airline. Also I want to commend you on southwest because we are so critically dependent on southwest. Right now we are overly dependent on them but I'm very glad they're adding flights because that's a signal that they're going to continue with us so that's really importantly. The airlines high load factors, it's amazing you know how well they're doing on that but I'm a little worried that now they're so used to getting 94 and 96% are they going to be if they add flights are they going to be willing to accept anything legals or do we think that's the new standard they're going to want to maintain? It sword of reminds me of other companies in Silicon Valley by people working such horrendous

hours that they're used to this and now they're hesitating to hire more people. So yeah, can you comment on that load factor and how you think --

>> The load factor is strictly a case of the airline has only so many seats to put out there sell. They've decided we were going to have X and Y is elsewhere and Z is elsewhere et cetera. So in the case of American Airlines, they're only flying into the hubs. In the case of Delta they're flying into the hubs, and the same thing for Continental. So the airline finds it far easier to do high load factors when they are flying into hubs because they are selling the hub city but they are also selling all the beyond-points so that when you go to Minneapolis, you get the whole, the rest of the East Coast that you can access on a one stop basis. The numbers aren't that large because there's lots of non-stops as we've said up to San Francisco to New York is 30 flights day, we have one. So we need to get the airlines to start thinking of as David was identifying before, that if 20% of those passengers flying out of San Francisco came from here, they would be better served flying out of here. We have lower cost, it is also where the people live and work, they prefer to do it. So I think the load factors I think they should come down. 96% for a six-month average is just overloaded. I mean if it's 96% for six months, there are days there where they go out, completely full, and they're leaving people behind. So they're not really serving the market well.

>> Councilmember Herrera: So the airlines feel that way too? That's what I'm asking do they see it too or do they say, wow, we're doing well, we're getting these planes filled and it's a good thing.

>> It's actually hard on the airplane. They're leaving passengers behind. We're pretty confident that an airline that is flying with those high loads could add capacity and still achieve similar loads. Because the demand is here. The demand is forced to go to San Francisco right now, and we see that, because there aren't any seats left to fly from San José. So by adding more capacity in San José we're pretty confident that an airline could fill that plane. If not 94% then maybe dip down to 92% which is still extremely high.

>> Councilmember Herrera: So what is our main focus on how to target that 20%? Because I agree with you it's Silicon Valley folks going up to San Francisco. We want to first get back the customers that should be rightfully ours that are living here.

>> We can't get them back until we have a place to put them. You cannot buy a seat out of our airport.

>> Councilmember Herrera: So we need to get more planes?

>> We need to get more planes.

>> Councilmember Herrera: I think -- I think the airlines that there -- and we should look at the kinds of airlines they're looking at, and I bet you Virgin's definitely one of them, like you said. The other thing I want to say is nonstop flights. There are a lot of people that simply will not do the milk run if they have to fly on business, they will go to San Francisco to get a nonstop flight.

>> You're exactly right. The market is here for that for New York for Boston for Washington, D.C, the market demand is here for those non-stops to the East Coast. The challenge as you pointed out is to make the case to the airline decision makers to break out of the herd. We've seen southwest and Alaska be very entrepreneurial. They're not herd corporations. They're the ones that lead the herd. So our challenge is to get to the rest of the herd to say they can be successful with actually limited competition.

>> Councilmember Herrera: I think virgin is one to break out of the herd too. The last thing is social media. How do you -- what kinds of ideas do you have and what are other airlines doing that we are not doing, utilizing social media?

>> It is not the airlines that we are competing against, but it's the airports. And we seeing other airports further along the social media path than we are. The standard tools of Facebook and twitter making sure we have the ability to have social -- mobile applications within the airport that meet our travelers needs. Really our challenge

here is one of resources and bandwidth. We have an airport that has 200 members of its staff now compared to 400 two years ago. And so we have to make sure that we are able to launch social media and to sustain it in a practical way. We are looking at that right now to determine what resources we need to make that work because it really is part of our marketing strategy and we don't have to do it all at once. But as I look at our competition whether it's in San Diego or even places like Akron, Ohio, that have various degrees of presences on social media, what we see the strategy here is not to have it just for the sake of having it although Silicon Valley's airport should be present just because of that but also it is a method for us to engage our passengers to lead them to the airlines so they can make the same requests that we're making to the airline decision makers. I am a travelers wishing I could fly to New York, out of San José, when you going to bring that flight back, jetblue, when you going to bring that flight back American, when are you going to bring that flight back United so I can have the convenience of a brand-new airport? We firmly believe the customer, particularly the major customers corporate travelers will be listened to more attentively by the airlines than they will be listened to by the airport. Airlines listen to 400 airports all year round but they can pick and choose but the customers are the ones who pay the bills. So enlisting our customers our travelers through social media as part of our strategy, we want to do it in a thoughtful way a way that we can sustain and I would suspect over probably by mid 2011 that will be much more present in the social media space to help accomplish that.

>> Councilmember Herrera: And can our travel partners help or travel agencies and the other folks who sell tickets into San José airport, can they be -- can we be working with them on the social media side of things, leverage them?

>> We do have good riches particularly with major travel agencies again comes back to some of the challenges we have in selling San José is that the fares that the airlines can command in San José can be higher than they are in San Francisco. So the corporate travel manager is directed by his corporate policy to find the so-called cheapest fare which does not factor in the cost of time traveling on the highway or the cost of parking or the cost of lost productivity when you are on the road, that only shows up in the price of the ticket. So in working with the travel agency, they often have the same dilemma that they know that a passenger wants the convenience, but some passengers also want that ten or 20 or $30 savings on a ticket. So we have to work cross purposes

sometimes to both promote the airport and saying recognizing that something of the things that we do here will cost the passengers a limb more because the airlines don't have enough capacity. By getting more capacity here the fares will come down, although I expect that they will be outweighed by filling airplanes with the demand that's already here. Social media is all about relationships. It's the relationship to the airlines, relationship with travel agencies, relationships with corporations is all part of that. Fundamentally it is a relationship with the customer himself where it comes back with our bin with the ability to nurture and sustain that.

>> Councilmember Herrera: Thank you.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Thanks for the report. On the focus, I think that you've had the correct focus in terms of trying to increase domestic, and in terms of the long haul I think realistically we know -- I think you would agree that it's not realistic to assume we'll ever be on the same level with San Francisco, with SFO on international. And I think that they -- SFO and L.A.X. on the West Coast seems like to be the international hubs, in terms -- and that clearly plays a role in being able to get long-haul domestic flights in terms of the transfers. If someone's coming in, particularly the Pacific Rim, and so I think that what you mentioned just in the last couple of minutes about focusing on some of the corporate travel is critical for the domestic flights more so than the international travel. I think that again and I know that there's an effort that has been made by working with some of the companies locally, and finding ways to create packages even if there's a significant move because most people that travel either internally they'll have a person that sets it up or they work with an agency so the people traveling don't know whether it's SFO or San José and they get their tickets and they go where the ticket was booked out of. And so I think figuring out what the infrastructure is in each of the companies and then working on that, and even if it's a matter of having a shuttle pick up every couple of -- couple times a day really large companies, straight to and from the airport to create an incentive, or other kinds of you know creative ways to really get people to travel but I think that you know we really have to continue to focus on the convenience and I think that even if it costs a little more because they have the ability to charge more ultimately you know convenience is going to especially in terms of time and time savings will be critical for many of the continuous or the more persistent business

travelers. So I think that for the business traveler whether you call it Silicon Valley or not is not so relevant or not but for those that are traveling in from other places, that's where I think that that Silicon Valley focus, having to be a Silicon Valley airport in terms of marketing outside the area, I think that's where that can hopefully play some influence on folks that are doing business travel into the area.

>> Councilmember Pyle: Thank you. And that, any more comments? Now is the time. David Wall you wish to speak on this subject.

>> David Wall: I'm always impressed with the airport even when it rattles me out of the garden in the downtown. We don't see (inaudible) at all at our airport yet Oakland airport is all over public broadcasting, I don't understand that. Another issue that has been mentioned many times before is how to get airlines to come here. One of which should be putting up their air crews in our hotels at no cost to the air crew. This has very unique application for hotels because they could then, with this formulation, deduct the maximum amount for their room rate as applied to the T.O.T. fund. Therefore they'd have a double savings there. They would be making money, their profits would go up, it would cost less to the T.O.T. to the city, but yet the actual revenue to the city would increase because the air crews would be spending more of their money for entertainment, especially if you could figure out a way to make San José entertaining. The current models do not work have not worked and aren't going to work. Then we haven't heard any discussion on what the airlines want outside of negating the curfew to come here. What perks do they want? Another issue with the hotels that I forgot to mention is the corporate aspect that learned council Liccardo caused me to think about. The corporate folks are coming into San José give them a reduced rate at our hotels with the same formulation to reduce that T.O.T. cost to the hotels. More profits will go up, the corporate people will be staying for free, their bottom line goes up or goes down rather, more money into the pockets of the corporate traveler. But we haven't heard any real creative ideas except the same rehash of, that's a competitive world. I'm particularly not interested in hearing that anymore. We have high paid people, if they can't produce results, and the business world, you get new high paid people that can. Another thing about cutting public safety. I am not a proponent to cut the San José fire department, one bit, at all or the police department out there at the airport. Especially when you have these planes chock full of people. One of those planes God forbid gets ignited you don't have the San José fire department out there you're

going to have a real bad negative impact to your airport. Other than that remember the discussion too about those multimedia video producers about how they could create videos and how some deal with the airlines could be made to where these videos are played in flight with the last half hour or 40 minutes, whatever the time interval is when they're descending to San José showing entertainment spots and the hotels and also, this free taxi service that Councilmember Kalra is correct about. There has to be some form to reduce these jobs on the front end where you'll make a lot more money on the back end. Thank you.

>> Councilmember Pyle: Thank you, David. And with that, I'm -- we're waiting to get a motion to accept the verbal report and presentation.

>> Councilmember Liccardo: So move.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: And all those in favor? Any other motions on this? With this, that is approved. All right, let's move on to Work2Future, that is Jeff Ruster reporting, I believe with a really good report. Welcome too to Benny Bovida from Target, I understand.

>> Thank you, Chairperson Pyle and city council members, Jeff Ruster, Deputy Director, Office of Economic Development. And as you noted, I'm joined here by Benny Boav, he's the chairperson also for Work2Future and he is the district manager for Target and has just gone through a very interesting weekend and Black Friday, so I'm very appreciative for having Benny here today. We are here to present a summary of the activities and accomplishments from last year and talk a little bit about the work plan and some of the challenges we foresee in the yum coming future. Kind of put the year in context when we presented last year which was in November we were right in the middle of ARRA. To contextualize it, it was a very strange situation of sorts. Clearly our unemployment rate was above 13%, there was tremendous demand on our services from a wide variety of clients from individuals that have multiple barriers and also people that had 25, 30 years of professional work experience with you know multiple degrees and so we were seeing a large influx of very diverse set of customers. With ARRA

it was both a blessing and a curse of sorts. Our budgets did double. It went from basically $12 million to almost $25 million because of the additional ARRA resources but it really wasn't until later on in the year that the federal government, Department of Labor and the state, really fully defined the rules of engagement and particularly around eligibility. So we had that vagueness but at the same time there was significant nationwide pressure coming on making sure that we were spending our money quickly. That was a common theme throughout the year and we found out really in January of this year that the state was going to impose targets of 70% of having your funds spent in the first year, even though really it's really three-year money. But again, there's that pressure to demonstrate results and make sure the money was on the street. So again significant demand from our customers, somewhat vague rules of engagement, the pressure to spend money, and very little job creation going on. So that was really the context over last year. As I mentioned if you look at the budget for fiscal year 9-10 we had $24 million. As it were now in the fiscal year 10-11 because there is no ARRA resources, and we received a cut in our WIA formula funds, we have a 56% reduction in our overall level of funding. Even though we are still seeing an increasing demand on services from our clients. Kim presented at the study session recently that things are looking better in terms of the economic outlook. It is still slow job growth. Our unemployment rate for our area is down to for San José is down to 11.8%, the most recent number about 56,000 people unemployed. We've had for the last four months, for both our area and for the state, year over year, month job gains, across a wide variety of sectors, including professional services and information technology which make up about 40% of the jobs in our area. So there's reason to be cautiously optimistic. I would still say though there are two things that are kind of masked with that, kind of relative improvement in our unemployment situation. One is at Work2Future we are seeing a huge increase in the number of underemployed individuals. There are a lot of different ways to describe underemployment. I think what we are seeing is highly skilled people in jobs that require a much lower skill set. So that has significant implication for us in terms of how do we deliver services to people who are working between 8:00 to 5:00 but still need to be retrained and understand what's going on with the labor market. The other thing as adults begin and as we reported in this last year but as adults take lower skilled jobs, a lot of those jobs historically have been assumed by youth. So you still have youth unemployment rates that vary from about 27 to 35% depending on the age of the youth so that has huge economic implication as well as social implication as well. I'm very pleased to report though that within this context and within the budget and still kind of the economic situation that we were able to serve over 10,000 clients last year which was about double what we had

served the previous year, again in large part thanks to ARRA. And for the fifth year in a row we're were able to exceed all our federally mandated performance requirements. I really wanted to give kudos to people like Chris Donnelly, Monique Melchor, Joyce Ellen Dannon, B.J. Simms, I mean, staff has done a wonderful job in terms of really going beyond the call of duty to find the employers when they are hiring and make sure the candidates that we send them are the appropriate candidate. We did conduct extensive recruitment efforts that have become relatively easier over the last couple of months but we held a huge job fair at the HP arena last summer. We had about 4500 people show for that, 30 employers. It was probably our signature event. We were able to secure about $7 million of additional resources that allowed us, and Kim mentioned it earlier, to serve four or 500 NUMMI employees. We have a dedicated one stop center for them. We've also received some additional funds to serve public sector clients, about 200 clients, roughly about half those probably will be City of San José employees given our current enrollment. For a period of about six months we had kind of a satellite office on the second floor where we were able to serve city employees. BusinessOwnerSpace.com, BOS, the main focus there has been historically to make entrepreneurs and small businesses aware of the resources that are out there. We had done a lot of resource that showed only about 3% of entrepreneurs and small businesses knew that our community is still rich in terms of the supply of resources, whether it's business planning, technology, marketing support. But there was very low awareness. Again only about 3% of the businesses. So really when we initially created BOS it was to increase utilization of those services. So our BOS 2.0 will be increasingly focused on trying to provide services through technology through Website it will include various kinds of business planning tools, assessment tools how green is your business tool, a virtual job fair, virtual procurement fair, tools that they can access 24/7 which is again kind of in the mode of how small businesses operate. One of the I think one of the more impactful accomplishments really was due to a partnership that we enjoyed with the county. The county had their own set of stimulus funds. They approached us in March of this year and said would you be interested in funding to run a summer youth program. We had run a very successful summer youth program that the previous year, and so through the relationship we had with the county, we secured $2.5 million to serve roughly about 650 TANF eligible youth ages 15 to 17. About 150 of those youth ended up working with city but also worked with a variety of private sector and nonprofit employers around the county. Part of our -- we had some leftover ARRA funds as well which allowed us to run an older youth program for about 70 older youth ages 18 to 24. Again a paid work experience program where we also provide them with work readiness training in terms of how to prepare a resume how to

interview how to network things of that nature. A small portion of that was for 50 youth a green cadre program which was really focused around the city's Green Vision, really helping to make the youth advocates for the whole green movement going forward. There were 50 youth, similar things, kind of paid internships, volunteer opportunities to learn and to learn about careers in clean tech and green sectors. We were particularly grateful to Department of Transportation and City Environmental Services department where the youth were engaged through a variety of internships. And I mentioned the NUMMI and public sector transition centers as well. So turn it over to Benny.

>> Thank you Jeff. You know from a board perspective, I just want to bring up a couple of points. One of them from a retail background and understanding the importance of customer service especially for clients that we're servicing which is double from the year before, is to lose a job or to be underemployed, it is very tough to cope with. And I think that the -- and I have to give great respect and commend the services provided by Jeff, Chris and the whole staff, especially the caseworkers that are dealing with huge demand for services and been able to maintain a great level of service. In all the measurements that we do we have over 80% satisfaction from the services provided, to the information given, was useful, and would they recommend their services to someone else out there. So I think that to be able to maintain that level of service should be commended and I appreciate again the efforts. Couple of other things real quick from a board participation, one of the things that we try to do with last year or so, is the members from a public sector and private sector get involved and leverage the talent level that we have at the board to make sure we continually seek ways of how to improve the service level and especially as Jeff indicated with a reduction in budget for the coming year how do we continue to maintain the high level of service knowing that we're going to have to stretch those dollars even more. So we continue to evaluate our services that we're providing, are they relevant to what the clients need, that will help them obviously get employment or improve the level of employment they currently have. So we continue to do that. And also looking for ways of how to find different ways of revenue streams. So we have a number of committees or ad hoc committees that are working on looking at whether the eConovu, as a way of providing an income revenue that we can again go back and present additional services to our clients. As chair of the board, and on the retail sector, we do encourage every board member that as an employer, to hire, at least consider hiring someone that

has obviously been dislocated from their work. But again we continue to do the best we can with what we have and continue to seek ways of how to make it even better. Thank you.

>> Just in conclusion, I've already kind of mentioned the challenges with slow job recovery and underemployment, the undercurrents there. And as Benny alluded to, we are undergoing kind of a radical revamping of our business model. We are right in the middle of that process now. It will have implication for how we use technology to serve our clients, our job-seeking clients through maybe online train or online registration to make it easier for them to access the services and taking into account some of the staffing challenges we're inevitably going to have and it will have implication for who we're contracting with, who we're partnering with and even while we have our one stops right now or physical locations where we're serving our clients. So this is something that will evolve, it will probably take 12 to 18 months to fully implement, for right kind of at the middle stage trying to develop that strategy. So that concludes our presentation and we're open for any questions.

>> Councilmember Pyle: Thank you Jeff. I just wanted to begin by saying that I really appreciate you Benny for stepping up to the plate and trying to help in what some would consider an impossible situation. But the quality of workers that you employ at Target is definitely an example of the quality that you provide and for that we're very grateful and Jeff you have been absolutely tireless in work under very extreme circumstances to bring help and aid to those who need it. And Madison Nguyen and I did a quick job fair at Oakridge not too long ago. And I couldn't believe the number of students. When I asked the question how many of you are here for a job for yourself the hands went -- a few hands, well quite a few but then when I asked how many you are here to help your families? The majority of the hands went up. So it isn't just their job, it's a job to make life easier for their families. So God bless you for the work that you do. And with that do we have questions? Sam.

>> Councilmember Liccardo: Yes, I also just wanted thank Jeff. You and your team were asked to run into a burning building with this economy and you did a initial job in these circumstances. Benny I want to give Target a plug. On Saturday you're going to be hosting a give away for needy family. Thank you for your dedication to the community.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: I also wanted to say thank you. That day in the park the event we do in District 8, I hope a lot of the folks went to the booth, I wasn't at all of the booths but I know a lot of people appreciated having job services there. I was wondering what are you hearing from employers about the services that they might need going forward for Work2Future, are you hearing anything specifically from employers?

>> I think there's been a common theme from almost day one since I've been here and that is, I think employers and it changed a little bit obviously with the high number of highly skilled people that are unemployed still right now but it's still that softer skills, I mean it's not only the communications, the math, the reading skills, the team ability to work in teams and problem resolution skills. I'm sure there are employers that want us to send people that are specialized, specially trained in particular protocol or technology, but that is not quite as -- not nearly as frequent I should say as the folks who want those softer skills. I think that's the biggest challenge that employers face.

>> Councilmember Herrera: What's the most positive feedback you're getting? So I would assume the positive feedback is providing the feedback from the employers?

>> That they are receiving someone who is a qualified job candidate.

>> Councilmember Herrera: Is there anything else you can say the city can do in terms of facilitating?

>> We're hopeful, right now there is nothing in vision that we will be able to run another summer work experience program for youth. Again, as we were able to serve 1000 two summers ago, and roughly about 720 right now, it does require special funding source or at least loosening up the eligibility criteria under the current workforce investment act legislation and requirement. So we've been lobbying for that, there were a couple of bills that were on the table at the last second. They did not go through this last summer. We were lucky to be able to fall back on

the TANF stimulus funds that I mentioned. That is over as well. If there is one thing that we would ask for it would be that kind of support.

>> Councilmember Herrera: I guess we will have an opportunity in terms of legislative priorities to make that known. I think that's really important. I remember when I was young, they had a program called SPEDY, summer program for economically disadvantaged youth. I don't know if anybody remembers that. Dating myself, but it was very, very, very helpful, and I remember I was a counselor in one of those programs, and it was so helpful for young people to be employed in the summer. And I think that was one of the tragedies of many tragedies in this economic decline is having so many young people not even having the opportunities to get that first job and missing out on it. So I think anything we can do to support that legislatively I think that would be really a good thing and the last thing I was wondering is about colleges the junior colleges I know in my district we have Evergreen college and then we have city college. I would imagine going forward there may be some more opportunities for even more partnerships with the colleges in terms of finding resources.

>> Absolutely. As a matter of fact we do contract with Evergreen college and have done for the last five or six years for our adult program in terms some of the workshops we provide and some of the talent coaching that we do and the occupational assessments. They have also been our largest youth client provider as well. We ran a program that actually a second request might be the San José promise program where really it looks to not only there's a San José 2020 which really the focus is to help the youth to graduate from high school. This is a complementary program which was a small pilot doing for 50 youth that workforce institute which is an affiliate of Evergreen community college, is to help them to go on to a community college. 70% of the youth that are graduating that are not going on to community college are eligible for tuition fee waiver at a community college. There is a big perception barrier or awareness barrier again that they're just not aware that they could actually go to community college and not have to pay tuition. A second barrier is that it costs about $1000 per year in terms non-tuition related fees and books. So what we're trying to use our funding for is to provide some of the remedial education that the youth get during the summertime so that they can succeed at a community college, and then to provide that thousand dollars so they can have the books and be able to afford you know again the non-tuition related fees. So we're right in the middle of that pilot program but other communities like long

beach have done very large scale programs and it has proven to be very successful and a good way of moving the economic need. Kim has pointed out some research through the CEO for cities that I mean if you can increase graduation rates I believe it's by 1% I mean you increase local GDP by an astronomical -- it is the number one thing that can you do to improve GDP. So we're really focused in on that. WIA is not the most flexible of funds, so if you wanted to do a citywide effort, you probably would look to nontraditional sources of funding, whether that is with foundations or corporations to help scale that up.

>> Councilmember Pyle: Okay last chance for questions, with that thank you so much for your presentation. We really, I learned a great deal. We have comments available here from David Wall.

>> David Wall: This program really undersells itself for its accomplishments. They didn't even mention it and you overlooked a significant portion of it. You're basically creating conventions. Job fair conventions. You only mentioned 10,000. You have another 7,000 down there. And who knows how many other thousands are not reported? Now, if this was coordinated and integrated with the convention center or other city properties, on a time basis throughout the year, integrated with the media approach with corporations and the airport, I think you'd have even more bang for your buck. There's a problem on page 2. Where it says nursing, now clarification, it is not a problem just a clarification. Are you cranking out registered nurses out of this program?

>> There are a wide variety of kind of health-related professions, do you want to talk about it?

>> David Wall: The question that's propounded is, are you creating registered nurses, LVN, RVNs?

>> It's across the board.

>> David Wall: Is that yes for registered nurses?

>> Councilmember Pyle: David, this is not a question-and-answer period.

>> David Wall: I'm sorry, I'll continue. Now we also, this is another one of these that are annual reports. Now, just a slight criticism. I believe this should be because of the economy quarterly reports. You can monitor the efficiencies of them. Plus there is a problem too on the topic of discretionary funding. That discretionary funding is a nebulous concept because where dogs its come from? That should be clearly identified and how it is being used and relied upon. The summer program that you mentioned earlier, could be a function of what only Councilmember Pyle has been able to establish in the councilry, raising vast sums of money by your initiative and creative accord. You raised over $35,000. Now, your brother and sister councilmembers can hum and Haw all they want but they didn't raise anything. If you have a tax free job program to pick up garbage and fire prevention in the hillside where kids are given complete cash without taxes taken out, that does a lot of help for the city and for these unemployed people. There's also an issue here about training citizens United States citizens or illegal aliens. This is in the report. This isn't a question-and-answer period. I would think that only United States citizens or required access to this training because of its tax money implications. I don't know if it's not done that way, but there is language in here that indicates that it is not. Other than that, I think from the Office of Economic Development standpoint you have a unique perspective for conventions here and I mean regional conventions for job fairs. So that's just an idea.

>> Councilmember Pyle: Thank you David and with that I'm waiting for a move to approve.

>> Councilmember Herrera: Move approval.

>> Second.

>> Councilmember Pyle: All those in favor? Thank you so much, wonderful report. We're ready to move on now to the citywide retail status report. Nancy Kline is here, John Lang I saw, and Richard Keith are you also presenting? There you are ready to go, and Christine Velasquez.

>> Good afternoon, councilmembers I was going to start us out. And say we're excited about presenting information about citywide retail and as you mentioned Richard and Christine are here to discuss the many things

that are going on within Redevelopment Agency areas. I did want to introduce John Lang who usually does a brilliant job of preparing information but he also speaks about it very well so he'll be doing the bulk of the citywide report.

>> Thank you, Nancy. Members of the committee, we're going to start basically by showing you some statistics on what's happening in the retail sector currently. There's some very positive news. It's not real big news but there is some positive news coming out of the latest sales tax information. Wanted to draw your attention to a couple things. One, general retail and food sales are up, which is a very positive thing. If you go back into 2008, and 2007, those were all negative declines we had in terms of sales tax for these categories. And they're up 2% which is very positive sign. In addition, restaurant sales over the last year have grown by 4%, another very positive sign. Want to draw your attention to the fact though that general retail and food products make up roughly 44% of the sales tax that's received by the city. I think it's a really important factor to remember when we talk about sales tax per capita. It's a statistic you've seen in various budget study sessions and how we're under-retailed. This is basically letting you know that roughly half our sales tax comes from consumers. It's their spending that really drives sales tax, at least half of it. That's a critical nature and that's why we continue to want to foster retail growth. The slide's a little jumbled but the other bullet point to note is the remaining portion of sales tax comes from business to business, transportation and construction activities. So half of our sales tax is really consumer-driven. In terms of commercial space, we're also seeing some nice upticks. First and foremost, vacancies rates in retail commercial space are down from 6.9% to 6.7 so very positive sign, and asking rates are at a low over two years. So once again, there's property out there, people are entering space which is a real positive thing and the rates are very favorable right now. So all very positive signs. I wanted to give you a quick update on some of our key properties, I shouldn't say city's key properties, some key properties in the city. And you see them. These are our large malls or retail centers and how they are doing. Valley fair is up roughly 2% year over year. Oakridge is flat. Santana Row is slightly down. The plant is down, and specifically, that's really in building materials. In particular, one tenant in the plant was slightly down in that realm, and that's what's driving that number down. Eastridge mall and market center are also up. So once again, consistent with the 2% growth, so very positive signs. Another real positive sign is auto sales is up. As you can see, Stevens Creek and Capitol Auto Row are both up. Key drivers on Stevens Creek have been Stevens Creek Toyota, and the Mazda dealership

have been showing very positive signs. In the Capitol Auto Row, Kim alluded to this earlier, but we have Mazda, Honda and Capitol Subaru all generating very positive upward sales, so very positive signs. To give you some perspective generally speaking, auto sales, new car auto sales, for our city generally trend around $10 million. So we're off. But we are showing positive signs of improvement. So we're looking to ramp upwards. One other note I would like to draw your attention to. If you look at 2009, 2009 dealt with cash for clunkers. So the fact that we had this small uptick during cash for clunkers and yet 2010 is over-performing over 2009, despite cash for clunkers. So very positive sign, once again consumers are starting to spend a little bit. So it's a very positive sign. Just to highlight some recent openings, and very recent openings. You had Target opening up in North San José. Whole foods in South San José. Big lots, primarily in the downtown or greater downtown area and fresh and easy over in the Willow Glen area. One other thing to note about this particular slide, you just saw a presentation by Jeff Ruster and Work2Future and both with whole foot fresh and easy and target they did all their recruiting through Work2Future so very positive signs there. I'm going to transition back over to Nancy and she's going to talk about some of the key parcels in the city and what's going on with those activities.

>> Just a couple quick notes I won't run through all of them. But in terms of Oakridge for example, you see many of the retailers and mall operators really working to freshen up and enliven. There's a whole new series including H and M space in Oakridge mall so our -- we're very fortunate that Westfield in particular with valley fair and Oakridge is very aggressive and much engaged in keeping those malls at the top of their performance range. And a quick noticed on Arcadia Evergreen and Almaden. Those both are moving forward in the development process and together, those would represent when built out about a 1.3 million square feet of retailer when they are fully concluded. Willow Glen is continuing to see activity as one of our treasured neighborhood markets. And as you know the San Pedro public market continues to move forward in their efforts, they'll be going to the Planning Commission at the next meeting to get a conditional use permit which will allow them to sell alcohol onsite and for offsale for folks who sell wine et cetera. I did want to mention a custom of trends and Christine may well have some additional information when she reaches, because they affect everyone. There's still a very solid push to value and that is a range everywhere from the dollar store to high performance or high-end outlet stores that, for the next few years, that will still continue to be very important. You're seeing a continued trend with grocery that as people are more and more engaged in taking advantage of the diversity of our environment as well as people's

desire to shop locally and for certain specific types of foods. There's additional opportunities. Most of the retailers coming in are very, very attentive to green building, one because they're looking for how to save operational cost and they know that's important to their customers. Entertainment retail in many, many forms continues to be very important whether it be spas and nail as well as dining places that are seeing an uptick in investments and another trend that's coming even not that it ever went away but coming back more engaged is public spaces and the importance of public spaces both for the community as a gathering place but also, for retailers to leverage their businesses off of. And with that I'll turn that over to Richard Keith.

>> I think the next slide underscores the importance of a downtown neighborhood business districts in the city's sales tax world. You can see about $8 million is generated annually. And this statistic has remained fairly consistent. We're down maybe 5% year-over-year. But when I looked at the last ten years of data supplied by the Office of Economic Development, there's no single year that makes significant change. For example, 2010 in Japantown and the Alameda is the highest year in the last ten. Winchester was 2010, Story and Alum Rock was 2008. So trying to assess any given year would take quite a bit of interpretation. But in the ten neighborhood business districts throughout the city we've pretty much stayed around this 6.4 to 7 million dollar range in city sales tax. And downtown also has stayed pretty stable from 2005 onward. We have big differences in sales tax between 2000 and 2010, and the biggest other jump was between 2004 and 2010, across the board, if you look at it. I will now turn it over to Christine Velasquez who is the agency specialist in retail activity and devotes 100% of her time to retail activity. In the neighborhood business districts that are in redevelopment areas, nine of the ten are, and of course downtown.

>> Thank you Richard. And I think it's at this time it's a very challenging time for retail. And I'm happy to say that the conferences that I go to and places that we interact with retail and our brokers were faring pretty well. We have people who are signing deals we have people who are opening retail at this time and it typically slows down around this time. So I'm very happy to share that and you can probably see new businesses popping up in your areas. We are happy to report that the in the downtown area close to 25 new retailers have opened. Since 2009, in July, to present, activating about 96,000 square feet of retail in downtown and creating over 330 jobs. In the neighborhoods combined, over 25 new retailers have opened, activating over 16,000 square feet of space and

generating over 300 jobs. We are very pleased with these numbers and very happy that people are still coming in and opening businesses right now. I wanted to highlight just a handful of new downtown retail openings from July 2009 to present. Los Gatos brewing company opened at San Pedro square in the former A. P. stump's place, they opened on the sharks game opening night. Did a phenomenal job, very excited. They are now open for lunch during the week very pleased to open their second location in the San José area. Morton's steak house they added about 2,000 square feet of restaurant space so they can accommodate more banquets. They are very pleased and they're doing very well during this time. A taste of Paris bakery, I wanted to note them. They just opened this month. They are on paseo de San Antonio between 3rd and 4th Streets. You can pick up fresh croissants and Parisian goods at their new bakery. The Clubhouse at the bottom of the first list there opened in the former Hoggs space in downtown San José, a sports bar in which you can have a good time here locally. I also wanted to point out Panda Express, it's their 10th location here in San José. Without any marketing, they've had lines out the door during lunch. Dinnertime is doing well, as well. They noted to us that they could open ten more in San José. And one other I want to note is the Tori Tea Company in San Pedro Square. They are the only exclusive tea room here in downtown, and we're very happy to have them here. Wanted to highlight a couple of downtown retail anchor stores since we last presented a few months ago. Of course Safeway opened the market, their first lifestyle concepts, they picked downtown San José as their first Northern California location. It's 24,000 square feet at the base of the 88 high rise housing project and for the most part they are pleased with their location here in downtown. Ross opened their first location here in downtown, 22,000 square feet on south first street. Just in time for the holidays. Great place to pick up some holiday items or last minute items. So we're very pleased that they are now here in downtown as well. Wanted to highlight a couple of agency assisted projects. Of course San Pedro Square public market that Nancy had mentioned earlier, close to ten leases signed with local businesses. I wanted to highlight a couple of them. Veggie box. They present freshly prepared foods, San José gift shop that will be opening that will be selling magazines and newspapers and such. There is also a place called crooners which is a specialty haircut barber for those that are look for a haircut during lunch or on your break hour. I also wanted to note that flames is expanding. I'm sure you've noticed at the fourth street garage. They should be opening at the beginning of next month. They have a number of holiday events scheduled and they're very happy with their location here in downtown. Our next slide highlights new neighborhood retail openings from July 2009 to present. I mentioned we had over 25 businesses that have

opened in our neighborhood business districts. A combination of clothing boutiques, services such as banks restaurants and other retail. And you can see the nice healthy list there. We're very pleased to see so many small businesses, and chains, making it into our neighborhood areas. We also noted the grand opening of whole foods, we're very proud and pleased, it's the first location in San José, of Blossom Hill Almaden area, it's the Hoffman Via Monte strong neighborhood initiative area. They're of course very excited. We held a ribbon cutting event on November 10th. It's a 50,000 square foot store. They have about 23,000 square feet of surplus retail. They have Pet Food Express who is going to be coming in as well. They generated over 300 jobs. About 200 of those were hired here in San José and about 25 were locally hired within the surrounding neighborhood. And collectively, we fliered the neighborhood and encouraged them to go to the job fairs and they were able to hire locally. One other thing I wanted to note is they do have an onsite fuel cell to generate 90% of their electricity onsite for heating cool and refrigeration. We are very pleased with that. The quality and the green conscious materials that they chose for this building. I also just quickly wanted to note, in that area, that they do have two exciting retailers also signed that are going to go next to whole foods. Pink berry yogurt and Peet's coffee and tea will also be going into that area, very exciting. In terms of retail efforts we continue to represent San José at international council of shopping center conferences. We were represented in San Diego, received a warm response from retailers and brokers who represent tenants in the southern Cal area looking at areas in the Silicon Valley-San José area. We were also represented at a recent conference in San Francisco, and we're gearing up for an alliance program. The alliance program is a group that is comprised of public and private representatives including the Redevelopment Agency and the Office of Economic Development and we'll have a program in January. Some of the trends that I've seen at the conferences include and you've probably seen these in San José and other areas, grocery stores, junior discount stores, such as Ross and T. J. MaxX, and fast casual quick service restaurants. And we have seen an uptick of business and business is expanding within actually the past maybe six months. Again, this is the time when brokers and other folks go into hibernation. People are still negotiating and closing deals which is really exciting. We also conducted or coordinated a broker appreciation event. We think it's important to acknowledge people who are doing business in San José. We took them to the shark tank and wanted to acknowledge those who are closing deals in retail office and in industrial areas. We understand the importance of retaining retail. And we work very closely with five star restaurant consultants to provide recommendations to restaurants in our redevelopment areas to strengthen business operation and the same business during this

challenging time. We had a very successful seminar in January at the San José Silicon Valley chamber of commerce again focused on strengthening business operations. We actually had two local celebrity chefs who were finalists of Bravo TV's top chef show who were two of the presenters. We thought that was a nice treat for our restaurants. Creating the buzz was our recent seminar which focused on online marketing tools and taking advantage of online tools such as twitter and Facebook and encouraging businesses to have a Website so they have a presence on the Web. Over 40 restaurateurs attended from the downtown and neighborhood areas to take advantage of these workshops. And I'm going to turn it back over to Richard Keith.

>> Thank you. As we said this is tough times along all economic lines so we're trying to remain vigilant in how we approach retail throughout the redevelopment areas and certainly throughout the city and we partner closely with OED, along those lines a couple of programs that I think need mention. We continue to work with the, speaking of the airport, the explore San José campaign for our neighborhood business districts. And there's currently three back-lit signs that are up. But we want to expand that also to assist downtown retail and we'll work towards that. As far as technical assistance and business resources, that, too, as Jeff Ruster mentioned only 3% of our constituents, residents are aware of all the offerings we have from the BusinessOwnerSpace network online, and then of course our entrepreneur center and the innovation center that sees thousands of people a year, but has the capacity to work with everything from a mom and pop to a hundred -- couple hundred people organization. And so to get that word out we use our business managers, we encourage councilmembers and all city staff to do that, and we'll continue to do -- use those resources like score, the retired executives and the Silicon Valley small business development center that is in the innovation center. In addition, we have the downtown parking programs which is very successful. I know there's going to be a presentation later in this meeting. But the validation tickets program provides all retailers with a cents on the dollar, for very little money they can get these validation tickets for their patrons. And we encourage that through our staff working and through the downtown association as well. We have the sidewalk cafe permit, to encourage obviously sidewalk cafes throughout downtown. We are blessed with mostly warm weather. It's tough to say on a day like this but many sunny days and we should take advantage of that. The enterprise zone hiring tax credit, many people think that's only for manufacturers or office-type activities. But there are retailers that take advantage of the program, and we encourage that. And most of downtown and several of our neighborhood business districts are in the

enterprise zone. So as composite, we're still working very hard to maintain and retain our businesses. Our vacancy rate fortunately stays fairly low and we want that to continue to fill any vacancies. We are available for questions.

>> Councilmember Pyle: Thank you, Richard. I'd like to give a little bit of a caveat. We have 45 minutes worth of material left so I need to forewarn anyone that we are going to be a little later than usual today but we had a pretty jam packed schedule here. So are there questions? It seems pretty self-evident. You are really doing a phenomenal job and we appreciate so much. Whole foods has not been vacant in that parking area since it went in. Evening on Thanksgiving day people were picking up their fresh turkeys so it was just amazing. I continue to gloat about that. Thank you so much. May I have a motion to approve?

>> Councilmember Liccardo: Motion to receive the report.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: All in favor? All right with that we are unanimously approved and ready to go on. O, I'm sorry, I really goofed. Is Mr. Morley still here? Sean Morley? I saw him leave so I assumed he was gone. I'm really sorry. Maybe he'll come back. So here we are with D-5, the community identification and wayfinding policy. Ashwini Kantak is here to present. And Ed Shikada.

>> Ed Shikada: Well, while Ashwini is getting set up let me do a short intro. Previous introduced as the banner policy, the poster child for what a seemingly small issue might open up some new challenges along the way trying to reach consensus. So I would like to acknowledge and thank Ashwini for the work she's done working with other departments, city attorney's office and a number of community organizations in order to bring forward a proposed policy that we think threads the needle to a certain extent in trying to meet the objectives let out while giving flexibility moving forward. With that turn it over to Ashwini.

>> Ashwini Kantak: Thank you Ed. Good afternoon, councilmembers. I'll just do a quick presentation, walk you through the background a little bit. So San José has had a policy on community identification since 1972. And it's policy 9-3. And really, it was developed to address concerns about signage proliferation and visual clutter. Around as San José grew and matured into a large city, I think it developed a lot of distinct neighborhoods and the policy has been amended several times. It's kind of evolved and amended several times to address that and acknowledge that and allow for certain types of signs for community identification. And we've seen in the past few years a strong desire from several community groups to use banners for identification and wayfinding purposes and the city's also supportive of identification of unique areas in the city. And a little bit about previous council direction. In March of 2008 council directed staff to look at existing policies or develop a new policy that would allow identification of unique areas within the city. And since existing policy 9-3 specifically excluded the use of way-finding banners staff kind of started looking at that initially and that has the highest community interest, in those type of signs. And so we started with a kind of brought forward draft policy concept to this committee in December of 2008. So it's been a while. We -- the stakeholder outreach in 2009 and came back with a draft policy which was only related to wayfinding banners in January of this year. But because there was high interest in signage for neighborhoods and other unique areas, council basically directed staff to go and look at a way of incorporating that kind of citywide, so not district taking to it a limited number of areas. So with this kind of expanded scope we reevaluated and took a fresh approach and went back and look at policy 9-3 to see if we could incorporate way finding banners into this policy. Some of the proposed changes to policy 9-3 we are proposing to rename which is identification and wayfinding for communities. We're also as I mentioned including way finding banners. I'll talk about changes in the installation process and the existing policy lays out approval authority that some kind of overlap especially in downtown with the city and RDA having approval authority and then there's some confusion about the review rules. So to just make it easier for the applicant the proposed policy is calling out the City Manager or designee as the approval authority, and then just internally we'll do it as needed depending on the type signs. And then we have added basically to allow for right now the policy calls for a director's hearing, so the PVC director's hearing is the final step and because we are using this policy as a waive designating and naming unique areas as well we have added the option of a final determination basically council consideration and final determination for the applicant. To choose to do that if they wanted to after the director's hearing. Than would basically, we think that with the community outreach process, the director's hearing, and

then the final determination combined it would really allow a way to kind of vet you know have adequate outreach as well as vetting process for the type and location of signs as well as any names of any new areas that are not right now kind of called out in terms of their extent. And then, finally just the temporary community signs process. This is just a streamlining. There was kind of a repetitive process called out for temporary community signs which just mirrored the other signs so we've just deleted that. So to go over the key policy elements as I mentioned the community identification and way finding policy through signs markers and banners. So including the banners and then to address proliferation concerns and in keeping with kind of the purpose of way finding, the signage would be restricted to major arterials and collectors. And it's really not meant to demarcate one area from the other. The community outreach process will be used to kind of vet the designation and naming of unique area which right now doesn't have its extents identified or it doesn't have a established name. And then signs really kind of reiterating that these signs are really meant to reunify, not fractionalize, so this would be an important consideration when the city is approving a sign. And some of this is, this is not specifically called out in the policy but we're working on administrative guidelines that will kind of support policy implementation. And I wanted to mention that we have had a lot of interest from stakeholders in terms of inclusion of sponsorship low goes as well as event information. And the event information we feel that we can really accommodate that with a temporary event banner program so it's not appropriate for the way finding banners and the sponsorship low goes given again the primary purpose is identification and way finding we didn't think that was appropriate and it also kind of raises all kinds of issues about advertising in the public right-of-way which is beyond the purview of this policy. And so again limited text to facilitate way finding. There was some -- you know we've talked about kind of really limiting text to maybe three or five words and we had people requesting more and again, way finding for pedestrians as well as motorists you don't want to clutter up the signs. Installation of banners at the city, this has been again high interest to have the banners as well as other signs installed by the city. Installed by the applicant. So what we are -- the policy basically is putting forward that the city would install banners and this is for reasons of kind of concerns about safety, liability, as well as the fact that it's going on existing city lights and then all of the sign installations could be done by the applicant's contractor with review and inspection by the city. So any other free standing sign could be done by the applicant's contractor. And I talked about the administrative guidelines as well so these would be developed as necessary by the City Manager or designee to guide them for implementation of the policy. And again being sensitive to kind of the budget times we're in and at the same time

wanting to accommodate the community's needs we wanted to make sure that this program was fully cost recovery. And as part of the representations you'll see that we're putting forward some new charges. We already have some existing charges for banners, but filling the gap for dual banners. And so basically staff is recommending that the committee recommend -- that the city council agendize and approve the following amendment of the policy 9-3 as well as a resolution which would establish it would amend the fees and charges and establish a banner application charge, as well as installation charges for dual banners which are not in the fees and charges where the single banners are. And so this is kind of threefold outcome that we see with the adoption of this policy, a comprehensive policy that addresses community identification way finding, it also addresses council's desire for naming and designation of unique areas without require an additional policy and then the cost recovery model will allow the city to accommodate community's needs even in the difficult budget times. And so that concludes our presentation and we're available to take any questions you have.

>> Councilmember Pyle: Thank you, Ashwini. Any questions? I think they like it.

>> Councilmember Liccardo: I'm sorry. Thank you. Just looking at the charges and I know there's been a lot of effort from staff to try to reduce the burdens. But at the risk of stirring the hornet's nest here, the question I have is I look at page 5, one way we can reduce charges and program costs is simply not do the work. And I look at some of the services provided, for instance, I know we require D.O.T. installation and removal of the banners, at least in the public right-of-way. But I know that private property owners can contract with private tree trimming services to cut trees in the private right-of-way including city-owned park strips. So the question is, why wouldn't we just tell private contractors look if you are going to mess with our poles this is the way you have to do it but you're free to contract?

>> Good question, and we've talked about this with D.O.T, unfortunately Kevin O'Connor who has been kind of the lead from D.O.T. hasn't been here. And as I talked all the other signs that's the approach we are sort of taking, you could go out and get a contractor and we would provide review and inspection. With banners D.O.T. has been really adamant that they have a lot of concerns about safety and it's probably like a quick process. They feel

like they're going to lose control over what goes up and you know the safety of it and the fact that it's on existing light fixtures. So yeah.

>> Ed Shikada: Let me perhaps add to that having had a few of those conversations both with D.O.T. as well as in a couple of cases with community applicants who are interested in doing this. Perhaps this is an example where we create our own outcome and complexity. But everything from the requirement to typically put on anyone who is working within the public right-of-way: Insurance, bonding, traffic control requirements, as well as, as Ashwini noted aside from simply putting the brackets up on the mole, the fact that they are working with electrical fixtures as well is an issue of concern. I think on the preponderance of those types of issues we concluded that the charges are reasonable in order to ensure that the city has both the assurances as well as not putting any private parties in harm's way.

>> Councilmember Liccardo: Okay, thanks Ed and thanks Ashwini. On the same subject I see the OCA has administrative review and they also provide the service of assistance with outreach, coordination, determination, and fiscal management. And the question I have is, what if we just didn't do any of that and we just said look, here are the rules, put up the banners, and if it doesn't comply with the rules we have code enforcement and they're going to take them down and bill you. Why wouldn't we simply do that rather than charging the up front 535 fee plus $89 an hour?

>> Okay, I was wondering if you wanted to respond.

>> Ed Shikada: Checking to see if anyone was jumping up to answer the question. Apparently not.

>> Yeah. So right now for the temporary event banner program we also go through the outreach. We just want to make sure that you, you know, you have things that are -- taking it down after it's put up is going to be really difficult, and then to bill somebody, it just creates a lot of work after that. And I think having that up front review to just make sure it's compliant with the guidelines. And then also there is significant outreach right? So as part of this policy we want to make sure that especially because this policy's now addressing not only established areas

but also new areas. And so we want to make sure that it's getting vetted through proper outreach. So you are going to have some outreach so that is staff work that needs to be funded. So I don't know that we could just you know say here's the guidelines and go ahead and do it. And we have had -- I mean on the temporary-event banners we have had staff spending quite a bit of time going back and forth what can go on. Even the guidelines specifically say you cannot have certain things, people do come back with trying to push the envelope and trying to come one a compromise that works.

>> Councilmember Liccardo: That's all reasonable. You can probably feel me channeling right now the frustration of a neighborhood or two that's been trying to get these approved and just feeling really frustrated with the process over several years and wondering what it's going to take just to get the sign off and then seeing the bill and so forth. And the perspective from the community is often look we're happy not to pay the bill if you guys don't do the service and we'll just get it done. But anyway, I won't beat that horse, at this time. I know that we can maybe have more of that conversation offline.

>> Okay.

>> Councilmember Pyle: Anyone else? Rose.

>> Councilmember Herrera: And how long -- what's the length of time that the banners would stay, the way finding banners? I would look at it in there, is it a specific time or in perpetuity or --

>> No, it's not. It's not as permanent as the free standing signs but pretty much until they are in a good condition they can stay up. So these are the way finding banners which are the other ones, the temporary event banners just stay up for 30 days.

>> Councilmember Herrera: Let's say they start getting in not good repair, are we going to be inspecting and how do we get our cost recovery from that?

>> The D.O.T. does take them down if they are unsafe. And at this point I mean we don't have a specific charge called out for taking it down. But we do have the discretion to kind of take it down. We don't want anything that's unsafe up there or unsightly. So -- and that's kind of in the policy in terms of the fact that we have that to do so.

>> Councilmember Herrera: And then I haven't been through the discussions of neighborhoods wanting to do this. I know there's been a lot of history coming forward with this but I guess I was just thinking, if there was a neighborhood that was just starting off with this having those meetings and everything is that -- is there going to be costs incurred by the city to have to facilitate a process on the front end of this? To make -- to decide or you know in terms of figuring out whether the banner would be accepted by the community? Do they have to have some kind of a voting process or how do we know that the neighborhood has reached a conclusion and they're accepting of this banner?

>> Right, so the community outreach, that is part of that administrative fee that our staff helpings with and then the applicant's actually responsible for kind of setting up that community meeting but with us supporting them. And so we want to obviously staff will kind of follow what's going on with the community and then you have the director's hearing to again make sure that, again, kind of emphasizing the unification, not fractionalization. So if you are creating a lot of discord with a particular kind of sign or name or whatever that's really not the intent of this policy.

>> Councilmember Herrera: And so then those hours you said above a certain number of hours that there was extensive meetings we would be able to charge?

>> Yes.

>> Councilmember Herrera: Okay, thank you.

>> Councilmember Pyle: All right, last call. So with that, since there are no more questions thank you very much for your presentation and I have three people who would like to speak on this subject. Before we even think about voting. Erica justice would be one. And if you will all come up in that ordinary, Blage Zolalich. And David Wall.

>> Hi, councilmembers, I'm Erica justice with first facts Silicon Valley. And you may or may not know that two and a half years ago, when we brought the sofa community together to envision what they could do what their community could be, double banners was one of the things that came out as a tool that could be used to identify the district, to help people understand what was happening there, and draw people to the district so we have been anxiously awaiting a policy that would allow us to do that. So I appreciate your work. And my main concern is, the administrative guidelines. I don't know when they'll be finalized. Whether that will be before this goes before council or not. But I would urge you to make sure that input and feed back is included with those of us who will be trying to implement the policies and practically -- be the practical applicators. I had a couple of concerns with some of the statements in the memo mostly related to the guidelines, things that -- the considerations from the community that aren't being -- the suggestions that aren't being considered things like indicating the activity. We would love to have banners that say art, entertainment, things that represent what sofa is. And -- or even the sponsor element, several of the nonprofit galleries in sofa would love to put a banner up outside the gallery directing people to, this is a block full of galleries and I know that they're not currently able to put the name of the gallery on the banner and also the restriction of the number words. We were one of the people that would advocate for less restrictions as opposed to more especially when the design will be reviewed and approved and that control is in place already. Of course 1stAct would be happy to have sofa be the test case for implementing this policy once it's approved so I wanted to offer that up as a possibility but other than that thank you.

>> Councilmember Pyle: Thank you, Erica. Blage.

>> Don't worry about mispronouncing my name, it usually takes ten times. Blage Zolalich. I'm the deputy director at the San José Downtown Association. Thank you for the opportunity to comment on this policy. As Erica mentioned, it is a long-awaited policy and we are happy to get here. We are the people, quote unquote that Ashwini was talking about in terms of the some of the feedback and I would urge the committee to maybe urge

staff to take a look at less restrictive administrative guidelines rather than more restrictive and to Councilmember Liccardo's comment I think if there is ultimately the City Manager's designee does have the purview of what this banner looks like. They are going to have to bring it in. They are going to sit down with the applicant and say yes this works no this doesn't work based on some general criteria. So being that this designee has the ultimate say why not have it be less restrictive? No need to limit to it three words. You know we're the capital of Silicon Valley, we should be able to put a URL on a banner. If San Pedro square has a Website talking about San Pedro square identifying it, it should be able to be on a banner. You know with these changing economic times, we know that services are going more and more to the private sector. Similarly we're going to have to look to the private sector to underwrite some of the costs especially if you're looking at a $535 just the application fee let alone $66 times ten banners 15 banners gets pretty costly. So I think we are all on the same page. We don't want it to be visual blight, we don't want it to be clutter, we want it to improve the aesthetics of the area and I think there is a way to do that tastefully while still recognizing the folks that helped get these banners up. So I would encourage you to encourage the staff to kind of go back and bring forward the administrative guidelines as soon as possible, we're anxious to put these banners up and also to try to make them as less restrictive as possible.

>> Councilmember Pyle: Thank you, Blage. And David.

>> David Wall: This policy basically represents a cry for budgetary relief from all sorts of the aspects of the city. This is not a complicated program but yet this policy, and the council policy, makes it very objectionable because it's burdensome and oppressive. I believe D.O.T. and PVCE could easily run this program without any undue interference from the office of cultural affairs. There is no need to fund this group with those costs. You want to make these wayfaring banner programs very flexible, cost efficient for the parties involved and using D.O.T, rather, that's integrating into their maintenance program for these poles. That's not a problem. I'm very much concerned about the cumbersome nature of the council policy 9-3 itself with specifics to attachment A in the back of it. And as you can see, from -- even from a distance there's way too many nodes for decision making in this banner policy, which obfuscates the entire necessity of making it very easy and cost effective for people. As far as there's also the cost of this program, it's not very well delineated. It's just not very well thought-out with all aspects of the cost for removing signs and what have you. I look at this tongue in cheek is like moving at the

speed of Neanderthal business. This needs to be reviewed. I don't want to cause anybody a bad day, but there are certain aspects of staff's presentation that violates the habitat plan with reference to nitrogenous compounds as a function of their verbiage and to support this augmentation of these costs for OCA. Now, I think Councilmember Liccardo was on point about reducing this cost, I don't anticipate or accept contracting it out on the argument that our learned assistant City Manager who decided to be with us today, put North a timely manner. Thank you.

>> Councilmember Pyle: Thank you, David and with that we're ready for a motion to approve.

>> Councilmember Liccardo: I'd like to make a motion with an amendment.

>> Councilmember Pyle: Sure.

>> Councilmember Liccardo: That the amendment would be that to approve the staff recommendation with -- to incorporate the comments made by the community members specifically for fewer form restrictions, as to the amount of content, sponsorship and I know sponsorship raises legal issues. So if there are legal concerns that the City Attorney would apprise the full council of whatever legal concerns they might be. But otherwise to eliminate those restrictions to facilitate the ease of Public Works application.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: I have a second. All those in favor? Aye, and that is approved unanimously. All right, we're ready for the last two items. Thank you very much, Ashwini and Ed. That would be with the status report for developmental services. Joe, I want to make a bet with you. You have 20 minutes here. Do you really think you need that much?

>> Joe Horwedel: Well, I was going to pride ourselves with we pride ourselves is on time on business, moving at the speed of business, any questions?

>> Councilmember Pyle: There we go.

>> Joe Horwedel: Tim Borden is here with me. We wanted to follow up, we did a short memo about the issues the council had raised previously around development services and some efforts we have been working on around it. One is the project manager concept. You've heard us talk about and Lee butler has been doing a magnificent work on that all of two months into the effort and he's been working with Tim on that. And also our administrative hub looking at how to consolidate our cost and then we did attach for the committee a list of pending ordinances policies that we are working on within PBCE that we are prioritizing kind of working our way through and what we did for the committee's benefit is group those by major topical area, because there is a lot of different requests we get in. And our focus for the most part has been on those around streamlining and economic development as a way to reduce our cost or to grow our revenues. So we try to focus there, but we know we also need to work on the others. But I want to let Tim go anything more talking about our project manager concept.

>> Thanks, Joe. Really nothing to add, I think Joe hit it well on the project manager concept. Lee Butler is splitting his time with the top priority being working with new development projects coming in and facilitating them getting through all the concepts as quickly as possible reaching out to help them guide them through the process and any additional time beyond that which hopefully there isn't any he will be working on streamlining some of the things he sees time and time again come up to slow people down. So he is working on a number of those. Fortunately he's got enough projects now that that is the top priority and that's keeping him pretty busy so it's going he very well.

>> Councilmember Pyle: And with that you ready for questions? I won that bet then. I won the bet. You could do it in less than 20. Okay, questions. Rose.

>> Councilmember Herrera: I just want to commend you on the project manager, the move to have a single point of contact. Just all the improvements Joe you're doing a phenomenal job in your department.

>> Joe Horwedel: Our thanks goes back to the council. That was a tough decision for the council this year using general fund money for that position. We think it's a critical one, and we are asking it to be an ongoing position, and our goal is to reduction the General Fund hit with that but we think it's an investment in economic development.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: Joe, I agree with rose about the project manager it's a great move and thank you for your responsiveness to the rules to the memo that several of us put forward. The concern I have about the first two items that are bulleted there, relating to the memo regarding resolving conflict and direction from inspectors and providing a total estimate of all fees, given the frequency of complaints that we get, particularly those of us who represent districts with a lot of businesses, it -- I appreciate that you're going to try resolve those internally. But it seems to me having some kind of broad pronouncement has great value. With that indefinite ordinance or council policy or press release or whatever it is, having it in writing as for lack of a better term a contract with the business community or bill of rights of sorts that says we get it, we understand that you're going to have an assurance from us that if three inspectors are telling you three different things we're going to resolve it in X period of time, it seems to me however you resolve this in terms of form -- in substance, at least in form, we should be able to say something externally.

>> Joe Horwedel: Right, I would agree with that, San Diego I think actually calls it the customer's bill of rights.

>> Councilmember Liccardo: Right.

>> Joe Horwedel: So we are looking at how we go through and really market the things we're doing. In talking with contractors you know it says if somebody calls with a complaint or question about something, we ask them, have you talked to the supervisor, the number that's on the building permit that you have on your hand did you look at the part that says if you have a question call the -- no. We have to do a better job of educating our

customers that it's a safe zone. I would agree that you have rights as a customer and here's how to avail yourself of those.

>> Councilmember Liccardo: There's a lot of fear of going over the head of anybody in planning, folks are always worried that it's going to come back to bite them. So what I'm actually urging is there be something in writing that the customer sees that when they're for lack of a better term in negotiation with this inspector over what is or isn't going to happen, that they have something that says, look, you have a city policy that says this. I don't want to call these other people in your bureaucracy, I just want you to resolve this consistent with your city policy. I think that would be very helpful, and I'm hopeful that whatever emerges from this will actually result in something in writing that people can readily point to.

>> Joe Horwedel: I think that's -- hadn't thought about it that way Councilmember Liccardo but I think even as a part of it is there something that we put on the back of the inspection tag, kind of here's -- this is what it says so why can't you deal, you know help me resolve this right now kind of thing.

>> Councilmember Liccardo: Right.

>> Joe Horwedel: So let me go talk to my staff because I hadn't thought of it that way.

>> Councilmember Liccardo: Thanks for your openness Joe. I know you have a huge backlog of work because of all the things we asked to you do. As I look at this list, this is in attachment 2, it raises the same question I had before which is, are there some things where we can take the work out of the City's hands? And let me just give you an example. I think there's probably unanimity on the council that if there's grocery store greater than 40,000 feet they should get the permit for alcohol. I mean could we turn this into a ministerial function where they pay $10 for a permit and they get at this time next day? And then obviously if they have problems code enforcement comes up and we can always pull the license. I think for instance about sidewalk permits the same way, something we want every restaurant to take advantage of, couldn't we give them the permit for $10 the same day and then give them the rules. And if they violate the rules obviously that's a code enforcement --

>> Joe Horwedel: That is the message I think we can take back to the rest of the organization. As a part of how we run the permit center we would love that. I have got another 6,000 people in the City of San José that have their views that don't work for me, so that's part of it, that we need to move the entire organization to that. So I think the more the council is clear that says here are our guiding principles about dealing with these issues, because it gets down to you know what you heard earlier about insurance requirements, bonding and things like that that are important issues. But and the whole scale of risk assessment I think we need to you know have that conversation about you know what is our tolerance of risk and our goal is to be able to do this across the counter, do these perfunctory things go do it.

>> Councilmember Liccardo: I'll hesitate from throwing more memos at you but I think there would be a lot of support for anything that says you guys do less and as a result, things move faster for everybody.

>> Kim Walesh: I think it's helpful to have that kind of partnership and conversation. It is part of the issue of aligning expectations to the capacity that we have and working together to prioritize the staff time that we have, where is it adding the most value and where does it really need to be versus where are we comfortable with not putting the time in even though there might be some risk of something, that level of risk might be acceptable.

>> Councilmember Liccardo: Thank you.

>> Councilmember Pyle: Questions. Okay, with that, may I have a motion to approve?

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: All those in favor, thank you for all the progress on this Joe.

>> Joe Horwedel: On time, on budget.

>> Councilmember Pyle: You won the bet actually. We're moving on now to Hans Larsen with the parking -- you don't look like Hans Larsen. Jim Ortbal.

>> Jim Ortbal: I'm wondering if there are similar bets that Councilmember Liccardo had for us, Councilmember Pyle. So thank you very much. This was the last additional item on a referral from the rules committee, Councilmember Liccardo, Herrera and Nguyen referred expansions and enhancements to the downtown parking incentive program along with the items that Joe just went over. Let me just go through what the existing programs are. We developed two parking incentive programs over the past couple of years the most recent one in April where we provide two years of free parking with two years of paid parking as part of a lease program. It's been quite successful over the past eight months. We've signed up 36 companies so they either came new to the downtown or have expanded their leases in the downtown covering 330 employees and over 150,000 square feet of office space. Most of the leases have been in the three to four year time frame. We had a previous incentive program as well, where software companies, technology companies, environmental companies could get two years of discounted parking as well, no lease was required on that. So these programs have been quite successful over the past couple of years, this summer my staff and I did a significant amount of outreach and marketing to downtown property owners, brokers, building owners and managers, really to try to drive the particularly the new incentive and discount program. So we've had quite a good level of success in that program. The expansions that are being proposed, is incubators, startup companies and shared office space environment and entities, and it would propose to, given the ability to opt out of paying for parking for the second phase of the lease program. Today, a company can get up to two years of free parking with two years of paid parking. This proposal would allow them to not -- to opt out of their agreement with the city, and not pay for the two additional years. It would also eliminate the current length on free parking at two years. In terms of our assessment of the program, kind of one of the main reasons for I think the councilmembers proposing this was to make San José more attractive to startups, incubators and the like. We agree that we need to do everything we can to try to make San José and particularly downtown as attractive as possible. So from that standpoint this program we think does make sense. In terms of our ability to really assess whether these enhancements are

really the driver, the difference in somebody relocating downtown I don't know that we have any data or any specific information that would tell us you know that's the critical element in this overall program. But we also don't have information to tell us that it isn't the case. So from that standpoint we're somewhat neutral but we very much believe that making San José and downtown more attractive is critical and a thing we need to step up and look at. We would make one kind of modification to the recommendation and that would be to extend the maximum amount of free parking from two to three years. We do know there is one entity one incubator in the downtown now that did sign a five year lease and under the getting half the lease in free parking and paying for the second half they would be eligible for two and a half years of free parking. We believe if we went to three years we would really cover we think the vast majority if not all entities that would be looking for a little bit of relief out of this program. Within this report, we also did propose a custom of other flexibilities and expansions for staff to try and enable us to respond more quickly to business needs in the downtown. We are proposing four different expansions as well, nighttime, parking permits, currently people who want to use our facilities at nighttime either have to pay the full monthly rate or the individual nightly rate. We believe he we can be more flexible with this program, provide lower cost parking, it can help restaurants, theaters and the like. We believe adding introductory rates that can attract more businesses into our downtown would be something that would be beneficial. Not having to sign a lease but being able to get lower rates to attract them into our facilities, we believe San José State is also a small market for us that we can tap into. We think semester passes for students is the way to increase business into our garages. And then finally a special event rate to improve our operations and really improve the ability to handle special events in our downtown would be something that would be beneficial. And with that I'm open to your questions and your feedback.

>> Councilmember Pyle: Wow, you just sped right through that! But it was so well-done. Thank you.

>> Jim Ortbal: Thank you.

>> Councilmember Pyle: Sam I know you're going to have a question.

>> Councilmember Liccardo: No I just want to give Jim a very big thank you. I know this goes against anything that any transportation policy maker believes in. In termination of obviously we've got a fiscal problem in our city and our parking fund is in very sore shape. I know in environmental planning you got to charge for parking and raise the rate as high as we can. We all believe in those general principles but this is a fiscal crisis and we're trying to do everything we can to help keep the folks in downtown in particular. I want to thank you for your flexibility. Your additional ideas I think are wonderful and I know that there's good reason to be concerned any time we're pushing down park prices. I just want to explain very briefly what's driving, obviously the Irish innovation center is the only immediate beneficiary of a couple of these proposals. And it's critically important for me that they succeed in terms of actually getting tenants because you know they've got one or two-person tech companies who could easily go to plug and play in Sunnyvale or go up the road to Palo Alto. We want them here in downtown and we want this center to be very successful. They're not getting a dime of public money in any way other than what we might be doing in terms of this park incentive and we're spending a lot of money on incubators in this city and oftentimes very successfully. For a fraction of the cost of Global Fluency and whatever efforts we have out there in PR the IIC is out there internationally pushing the San José brand in really a powerful way. So I think it's important that we support them. But I should also say that I had experience dealing with nextspace which was a co-working facility, they were looking in San José and actually skipped us and went to San Francisco, they have an office in Santa Cruz. A great opportunity for having looking at space at San Fernando, real worried about parking. That is the thing that could help draw the next space type incubator here. So I just wanted to make a motion to approve, and incorporate the bulleted items, that are listed there on page 6.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: Okay, do you have any further questions or ideas? You do. Oh. Okay. Well, with that we have a motion and a second, all those in favor? And that is a unanimous vote. So thank you Jim, terrific job. We have oh my gosh! We'll try to pretend we didn't vote. David Wall. Somebody might change their mind David you never know.

>> David Wall: I always have stated, council can never do anything wrong, only Pete believes me. One -- this program doesn't look at a creative way to make money for the city. And to maximize the use of parking garages, minimize the number of cars that are on the road. Parked -- that are reliant to park on city streets in the downtown. San José State, its apartment associated complexes, not -- I mean individual apartment complexes create an enormous blight to the downtown, with reference to park. If fees for parking tickets were to increase to where it really hurts, now, what is that? $100, $200, whatever it takes to herd people to buy a parking permit, in a parking garage around San José State, instead of putting their cars out on the street. Point two: 24 hour park control all over the downtown with meters at a certain rate that discourages long term park of vehicles downtown. You could stabilize your parking control operations with this type of mechanism and let us not forget, what the environmental services department volunteered to do with the state with that regional municipal storm drain permit. You do not want to have cars parked on the streets as you're going to be needing to clean those streets to keep that trash from getting into the storm drain. So there's a very creative application that will cause a lot of behavioral changes. It will be very harmful to the San José State community to have to not rely on parking in neighborhoods such as Naglee park who the individual residents have to fork up that residential parking fee for their own sanity in their neighborhoods. All these things can be an integrated approach to make these parking garages very profitable. And I'm sorry that I didn't see this here because you would think with high salaries, revenue streams would be a priority. My opinion.

>> Councilmember Pyle: Did anyone wish to change their vote? I need to make one announcement I'll make it quickly and then David we'll go to you for open forum. There will be no CED meeting in December. Our was rather long today because it was two months rolled into one. This is my last Community and Economic Development meeting, and I have really appreciated the support of the staff, tremendously. It has been a tremendous amount that's been accomplished and I'm leaving the job, in the very capable hands of Councilmember Herrera. Congratulations and I look forward to my assignment as chair of neighborhood services and education. So with that, David:

>> Madam Chair, I would like to clarify. My understanding on agenda item for the Work2Future update they would like to have a cross-reference to that to be brought to the full council for their review of that update. Also, item 5 will automatically just be cross referenced because that was in the end motion.

>> Councilmember Pyle: Right.

>> And then my understanding is that this report will also be going as a cross revenues to the full council.

>> Parking incentive program.

>> We'll try to bring it by December 14th to council. It can go in January as well.

>> Councilmember Pyle: Thank you with that --

>> Councilmember Herrera: Second.

>> Councilmember Pyle: If we need it, we've got it it's belt and suspenders. All in favor, aye. David, open forum.

>> David Wall: I'd like to thank you for your chairmanship over the period. You've set a standard that I don't think is possible for other councilmembers to measure up to. However we will not negate the fact that if you make $35,001 for the city in reference to city programs you will have outdone Councilmember Pyle and her efforts on making money. Now, let's talk about making money again. What's the one driver throughout this whole area that's going up and nobody's paying much attention to it. Food. Now, next Monday, honorable Councilmember Liccardo willing have the ability to entertain an 84-page report on the master plan for the plant. That master plan has been shown to be an embarrassment of the first order, at a special treatment plant advisory committee meeting the other day, they spent millions of taxpayer dollars to come one a program to develop plant lands that will only net, and I quote, a paltry $1.1 million for the city end quotes. That quote was made by member livengood, the longest

member of TPAC in TPAC's history. So whatever you've been doing, quit doing it, it's not working. Now, this director and assistant director of ESD need another job.

>> Councilmember Pyle: Thank you and with that we are adjourned.