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City of San José city council meeting.

>> Mayor Reed: (Gavel pounds) Good afternoon, I want to call the San José city council meeting to order for September 15th, 2009. I'll start with the invocator, Councilmember Herrera will introduce the invocation.

>> Councilmember Herrera: Thank you, Mayor Reed. Today, the 15th of September, is the first opportunity we've had as a council to acknowledge September 11th, and today I want to introduce this special invocation in honoring September 11th and the first official National Day of Service and Remembrance.

Today's invocation will serve to honor our men and women in uniform and the citizens who lost their lives eight years ago as a result of that event. Thousands of heroic men and women have placed themselves in harm's way to serve their country. This year marks the first National Day of Service and Remembrance, and on the anniversary of 9/11, I had the privilege of presenting a proclamation with the Mayor proclaiming September 11th the National -- official National Day of Service and Remembrance. I now want to call Chaplain Dave Bridgen, and I want to thank him. He's coming up from the San Jose Police Chaplaincy, he's a chaplain, and Ken Estep, who is representing Gold Star Families, for joining us as we pay tribute to remembering those fallen heroes and the ultimate sacrifices they have made. And let me also convey my gratitude to those gold and blue star families who may be here, and for who could not make it today. Thank you.

>> Good afternoon. When I say 9/11, practically everyone can close their eyes and remember where they were on that sad day. We remember not only where we were, but also what we were doing, and who we were with. We remember the faces that were running from the twin towers. We remember the people jumping from the burning buildings. We remember the destruction and the empty feeling that we had in our stomachs. We can close our eyes and see the planes hitting the towers, the pentagon on fire, and the crash-landing in Pennsylvania. We remember with disbelief, that something like this could happen in our country, the land of the free, and the home of the brave. Over the past eight years we have asked why and how questions. We had felt so secure living in our country. And now it is totally changed, in meter of minutes. As we remember 9/11 and the days that follow, may we never forget the horror as well as the good. The hundreds who came to rescue, help, comfort and encourage. May we endeavor to continue to learn from this tragedy. May we take the horror of the day, and determine to make our country safe. May those who gave their lives to save others never be forgotten. Some have asked, where is God at this time? Does he care? I am convinced, more than ever before, that God does care for us. There is good and evil in this world, and on 9/11, we saw both sides staring us in the face. I came across this poem. It's entitled "I am an American." I am an American, that's the way most of us put it. Just matter of factually. They are plain words, those four. You can write them on your thumbnail. You can sweep them across the bright autumn sky. But remember, too, they are more than words. They are a way of life. So when you speak them, speak them firmly. Speak them proudly. Speak them gratefully, I am an American. From 1776, 'til today, America has served people from throughout the world to our own city. This year, as we remember 9/11, let's determine that in 2009, we will serve others, and be grateful for the thousands of people before us who have done all they could to keep our country free. Why? Because we are Americans. Let's bow in prayer. God, we are saddened that at the thought that so many people dying in this act of violence. There are police officers, no longer eating with their families. There are firefighters, no longer hugging their children. There are families with an empty place at the dinner table. And we still, after eight years, have anger and sadness in our hearts. God, we ask that our leaders in Washington, Sacramento and here in San José, that you would give them wisdom in directing our country, state, and city. May they remember the principles on how this great country was founded long ago. May they serve, not themselves, but the people of America. Give them courage to be truthful and courageous. Thank you, God, for each and every leader, bless them, I would pray. Thank you God, for this great country of ours, may we never take our freedom for granted. May we, as citizens, work to make our country a better place to live. And this I pray, amen.

>> Mayor Reed: Thank you, chaplain. May we all stand for the pledge of allegiance. [pledge of allegiance]

>> Mayor Reed: First item of business is orders of the day. Agenda items 3.2 and 3.3 rules committee reports for August 19th and 26th, need to be deferred for one week. Are there other changes to the agenda order?

>> Councilmember Pyle: Move to approve.

>> Second.

>> Mayor Reed: We have a motion to approve orders of the day. All in favor, opposed, none opposed, those are approved. Closed session report, City Attorney.

>> City Attorney Doyle: Mr. Mayor, the council met in closed session this morning pursuant to notice. There are no items to report.

>> Mayor Reed: I'll now take up the ceremonial items. I'd like to invite Councilmember Herrera, and Paul Krutko and Ray Beshoff to join me at the podium. Today we recognize the family-owned business that's been helping drive the San José economy forward. While employing over 100 people, Beshoff Motors has remained committed to green business practices throughout the company, including using low-consumption lighting in the showroom. Councilmember Herrera has the good fortune to have this in her council district. She's going to tell us more about it.

>> Councilmember Herrera: Thank you, Mayor Reed. Let me say that as the representative council district in which Mr. Ray Beshoff's Mercedes Benz dealership and Infiniti dealership are located, I appreciate his investment in our city. He continues to show his commitment to our city through his second investment in the Infiniti dealership just across the street, and we are grateful for the additional job and retail opportunities this offers the residents of San José. Beshoff Motors hasn't only done things for business, but Beshoff has contributed to many nonprofits, events and causes in Evergreen, the East Side, and the City of San José, such as the holiday food fest, toy drive and the San José ballet, and now, day in the park. He also shares his time with the president's circle of the Eastfield Ming Quong Families First Foundation. It's great that we have people and companies like Beshoff Motors Mercedes Benz here in San José. His story is what economic development is all about, making a difference in our community, and I'm proud to, along with Mayor Reed, present this commendation. I think Paul Krutko has some words, too.

>> Paul Krutko: Thank you, councilmember. We do also want to acknowledge that Ray and his team have been a leader in doing a variety of things to help us advance our Green Vision. We need corporate leadership to help us with some of the key environmental initiatives we have, in using supplies and how somebody runs his business. So his personal commitment, both the clients, employees and community sets him apart from the other dealers that are active in the San José market, working with Ray's been a win win for all of us and we look forward to many future years of successful collaboration.

>> Thank you. Thank you very much. Well, thank you very much, this is unexpected. But appreciated very much by myself and my family. We've moved up here to San José seven months ago, and we love the City of San José, and in this tough economic times, we're more than happy to help out in any way that we can. So I do appreciate this consideration. And that's all I need to say today. Thank you very much. [applause]

>> Mayor Reed: Next I'd like to invite Councilmember Liccardo and Adriana Legalbo and Danielle Gerahan representing Nothing But Nets program to join us at the podium. Today we're presenting a commendation to Nothing But Nets for their ongoing efforts to help prevent the spread of malaria in the developing world. Councilmember Liccardo has some additional information.

>> Councilmember Liccardo: Thank you, mayor. We're here with Adriana and Danielle, the director and associate director of Nothing But Nets. And the reason why we're here is that a very tragic reality is, despite all the extraordinary gains we've made in medicine, that malaria continues to be the biggest killer of children in Africa. There is a very cheap solution, that is a mosquito net. This organization, nothing but nets is a global grass roots campaign with roots in our own Bay Area with a mission to be able to send mosquito nets to Africa to protect millions of children. So far over 2,800,000 mosquito nets have been purchased and provided to families in Africa. Of course, Nothing But Nets is a basketball expression, describes the perfect shot, making it through the hoop without touching the rim. This is of course the perfect charity in many ways, one that leverages small amounts of money to do extraordinary good. They are here in the Bay Area from the United Nations Foundation building out in New York because they're doing a series of events in collaboration here in San José Earthquakes, another -- all kinds of other nets analogies could be made here to sports. But the Nothing But Nets is participating with San José Earthquakes on the 17th of September with a youth soccer clinic over at Ocala Middle School. They're having a night with the San José Earthquakes in a soccer match against the Colorado Rapids on the 18th, that's Friday night, over at at Buckshaw. There will be a halftime contest at that time, and then of course joining Footballito, they're hosting a seven on seven soccer tournament for area residents at Independence High School. You can win prizes by scoring a goal on Mazzi the mosquito. Did I mispronounce Mazzi's name? Okay, I got it. So we are grateful for their extraordinary work and what they are doing here in the Bay Area and what they are doing, obviously, throughout the world. And with that, I

wanted to ask the mayor to present them with a commendation and introduce them to our community. [applause]

>> Well, we just want to say thank you to Mayor Reed and Councilmember Liccardo and the City of San José for welcoming us and we're thrilled to be here this week. We look forward to working with the earthquakes later in the week. And if you ever want to go learn more, visit us at nothingbutnets.org. Thank you very much. [applause]

>> Mayor Reed: On today's agenda we're taking the redevelopment agency items up first. And the first of the first will be item 8.1 which is a joint City of San José and redevelopment agency matter. And that's the consideration acceptance of the economic impact analysis on the proposed major league ballpark. This is a joint session, city council and redevelopment agency matter. And I wanted to disclose that in preparation for this meeting my staff and I have met with Jim Kineen, Lew Wolff, Cindy Chavez, Ben Field, Neil Struthers, Pat Dando, Carl Guardino, and probably a lot more. But those are the notables that I want to disclose. And with that, I want to turn it over to our executive director, Harry Mavrogenes.

>> Harry Mavrogenes: Thank you, Mr. Mayor and members of the board and council. It is our pleasure today to present to you the major league ballpark economic impact analysis. Of course, this is the very important step. A lot of questions have been raced about what the impacts, positive and negative, are about a new baseball stadium in San José. This is a very thorough report, we're very proud of it, and we worked closely with the city's office of economic development. And today I'd like to have John Weis and Paul Krutko make the presentation to you on the details of the report. John.

>> John Weis: Thank you very much, Harry. This presentation is basically in two parts. The first part is a listing of the assumptions that were made for the conduct of the study. And the second, gives you the conclusions and findings of the study. And I'll do the introductions and then Paul will take over and do the conclusions and the findings. In addition to Paul, myself, with us today is Kip Harkness and Ru Shikada, who are behind me, and they have been the project managers for this study, and also Bill Roda, who is from CSL, which is the consultant firm who conducted the work over the last two to three months. With that we'll get going. The overview of what this economic analysis impact is all about is really, we wanted to find out what would be the economic effects of bringing a ballpark to San José. Unlike a lot of other studies that you may have seen, we did not look at the adjacent property at all, in terms of what impacts would occur, because we thought that was highly speculative. So what we really wanted to do was take a look at just the impact that would come from the ballpark itself. And so these economic impact measures the direct spendings, the total output, and the personal earnings and employment that would come from direct spending in the ballpark, as well as the multiplier that you get outside of the ballpark and then the downtown area. The fiscal impact is quite different. The fiscal impact measures the changes in tax revenues that would accrue to the city as well as the cost that come with having a ballpark in that facility for a period of time. The site that we're talking about is a conceptual drawing that you see in the lower left-hand corner on roughly 14 acres of land that we partially own now and are in the process of acquiring the rest and just to the north you see the HP pavilion and obviously the logical area of development in between. And then also to the far left is Diridon station. And just to remind us all that this is the area that we expect to have BART and high speed rail come in the future. And it's only really a stone's throw from the downtown core. As we started the study, three of the five principles that we articulated with you about three months ago have been the basis of the study. And the first is that the stadium must generate a significant economic benefit to San José and have a positive impact to the city's General Fund, that the major league baseball team at no cost to San José will be responsible for financing and building the stadium structure. So that's a basic assumption in a lot of the economic analysis that was done. And then the third is that the major league baseball team will be responsible for financing all stadium operating costs related to its activities within the stadium site and surrounding areas. And that means that those of you who have been to the HP pavilion and you see the police and the traffic operations that exist to get you out of that facility in the evening, those are the kind of costs that will be borne by the major league baseball team. Now, other key assumptions that we've made were that we assumed that based on the average cost of building a facility on a per square foot basis, that this 32,000 seat facility would be \$489 million, we would have 81 home games and three nonmajor league events during the year. That's probably conservative given our weather and we would expect to have more but we didn't want to overreach in terms of our estimates. The economic and fiscal impact only count net new spending in San José. In other words, if there's a gross amount of spending that comes in this does not measure that. It only measures the net new that comes to San José, and in addition, that's also what we have for jobs. The jobs figures count only those net new jobs, not just jobs that we move from this place to that

place. These are all net new jobs. A final figure in this portion of the presentation, has to do with the daily out of facilities per spending. As you can see, we have done a number of studies over the years. The Sharks have done intercept studies, the major league soccer has done them, NCAA did them, and then CSL has done their own. We have chosen to do the most conservative estimate that is \$47 per person versus the higher numbers that have been listed on this chart, okay? Turn it over to Paul and take it from here.

>> Paul Krutko: Thank you, John. I'm just going to take the council quickly through the key high points of the results of this work. And as John's pointed out, as the council has seen in prior analyses that we've done for events, facilities and projects, we take a very conservative approach. And we're only looking at output in spending by folks who would come to San José from outside San José. Clearly, many residents, people who are working in San José when a ballpark is built, will come and spend money. We took that out of the equation to be conservative. This figure you see on the screen now is an estimate of the amount of economic activity would happen on an annual basis, about \$130 million. And to understand that, just to put a little bit of points behind that, what we really took a look at there was, the spending that the team would actually make in the community. So as we all know, people who buy tickets, they'll go to the ballpark. There's a financing model for running a business like a baseball team. But the baseball team will spend money in San José on a variety of things. So we analyzed those expenditure flows, that's include in that number. But what's also included in that number is the actual estimate of out-of-facility spending based on the intercept surveys that John just described to you, what people will spend outside the ballpark on a per capita basis as they come to games. Arouns also included this would be the extraordinary events that might happen in a year, beyond the baseball, beyond the baseball season. In terms of the jobs, it's just important for council to understand that that calculation is based on jobs that would occur both in the facility, that the team would employ, jobs that would occur outside the facility as a result of more and more people coming to that area and restaurants and other types of businesses doing new hiring, and they are a combination, these are rolled up into an aggregate number. These are full time, part time, and seasonal jobs. So this is not a full time equivalent to number. But these are actual specific jobs that would be created as a result of the project. This builds on the construction period. And we would follow what we're showing on the screen now, the estimate in the study is about \$461 million worth of construction. The annual economic impact within San José during that three-year construction period is \$145 million. That makes sense because some materials, let's say the score board, other elements of the project would be purchased from folks who manufacture those kinds of products outside the San José area. But it would have a significant countercyclical impact in the sense that we're estimating 350 new construction jobs that would provide \$65 million worth of wages in the community, that would be very important as we are in this very deep recession. So we then looked at, as John already mentioned, a key principle is we wanted -- two of the key negotiating principles is one, a positive economic impact on San José. We believe our analysis demonstrates that. And then next question is, what does it mean for us financially and would this project have a net positive impact on the General Fund? You can see on the screen our estimates of a variety of estimates that go various places. I think the key one for us is the calculation about what this would mean to us in terms of General Fund revenue. Very important principle in this, is that the costs for managing the facility, in terms of our streets and the surrounding area, is a cost that we expect to be borne by the team. And as a result, what you're seeing here is a very positive General Fund impact to the city. We did, which is different from analyses that we've done before, thought it was important to show the council and the public if the circumstances of construction of an alternative on this site, if major league baseball would not be happening. And you can see the assumptions that we made, what could potentially be built there, there is -- given our economic circumstances and the amount of available office space within our community, we felt that it would take some time for that to be absorbed, and that was factored into the analysis. But again, that's -- we had to pick an approach, and we picked the approach with the assumptions you see on the screen. It's also very important that as you look at that area, to understand that there's going to be significant construction beyond a potential ballpark or an alternative, the construction of high speed rail and BART will have a very dramatic impact in terms of how one will get in and out of that area that we'll have to manage very carefully. Just a little bit of summary, we think it's interesting to note, out of the 30 teams, you can see that all but two have done something since 1992. Either built a new ballpark, renovated their facility, or had something under construction. And there's only two teams and in fact one of those two teams will probably not make any changes ever, given the nature of the historic Wrigley field, but the last remaining team in major league baseball that has not made an investment in a new ballpark are the Oakland

athletics. So in conclusion, we do believe in terms of the negotiating principles, that the mayor offered and the council endorsed, we feel that this economic analysis does show that the project would generate significant economic benefit to the entire city and have a positive impact on the City's General Fund, as we consider the investment that we would be making in acquiring the site. So with that Mr. Mayor, we are ready for questions.

>> Mayor Reed: Okay. I think we will have a few. First I'd just like to thank our city and redevelopment staff for working together as a team on this. I know it was a team effort beyond just Paul and John. But lawyers and others, some of whom are here today with us and others who aren't. But it was a team effort and it takes a lot of work to put this kind of study together and get it in a form that we can use it. So good job on that, it is very helpful information. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you mayor. I wanted to join you in thank being our teams for working so hard on this effort, as well as on the Diridon task force community effort which I think has gone incredibly well. I appreciate all the hard work that everyone has put into that effort. And we're hearing from the community very positive response already that -- how we're engaging early and addressing concerns head on. So I think that's a great statement about how we're working in the community give us great hope for the success of this project. I also want to commend the fact that on this report we had time and time again the opportunity to take an optimistic assumption, we refrained from doing that. I think that says a lot with how we're trying to be very clear with the community and ensuring that we don't raise expectations beyond what we know we can meet. What I see here if anything is a very modest analysis in terms of putting the benefits of the ballpark in too modest a light, in many ways. What we see for instance in annual General Fund benefit out of the arena is over \$4 million a year, we're assuming we're over \$1 million here. I think we know that with 81 days and nights that we're going to be using this for baseball plus other events. It is virtually certain that we're going to see significantly more activity out of this facility, at least -- certainly for sports than what we see with the Sharks in the arena. This is I think very significant. The opportunity cost analysis, I know that there have been some critics, certainly some economists I've seen in the press who have said that, well, we can produce more jobs in an office building. But I think Paul put it well, that we're currently looking at 20% vacancy right now in office downtown. We've got a long way to go before we can absorb that office space and build anything more. We can build office virtually anywhere in downtown and North San José. There are many opportunities to do that. We have one site for baseball. So this is not an apples to apples comparison between an office development and baseball stadium. We've got one shot and this is it. I think also the statements of Roger Knoll, that Stanford economist that appeared in the media, suggested that, well, we could be building something here anyway and generate those construction jobs. But this is an opportunity to leverage almost \$500 million in private investment today and in the next two or three years, hoping for a developer to come along sometime when we can move through our million and a half vacant square feet of office, to be able to build something some day in the future, really shows how this is not simply a question of something will get built there. The question of when it will get built is critically important here.

This stadium allows us to move forward now when we most need the jobs and when we most need the private investment. I just think this is a fantastic step in terms of being able to lay out the realities of what this stadium could do for our community. I know that there have been lots of suggestions that, well, there's a lot of public infrastructure and public money that's going to be invested here. But the truth of the matter is we have to invest that money anyway. That on the street extension has to get built anyway for downtown development to proceed, certainly parking garages and other kinds of investments are things we know we need to make as we look at BART and high speed rail in the future. So I just want to commend our team for continually taking the higher road and taking the most modest assumption possible. I think this is a great step forward and I want to make a motion to approve.

>> Mayor Reed: Okay. We have a motion to approve. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I would just like to say that with a city of a million population, we certainly can have two sports venues in this city, and need to. I think that's an absolute must. We expect to have 1.4 million population by 2040, which as you think about it is around 30 years away. It's not that long. Sports confluence, transportation confluence, and also have people come and enjoy the many benefits of our city, which we have not gotten out there in front of the public as well as we could. So I'd just like to say that we already know what the benefits are from the sharks. We're not just looking in the dark. I really think the outside dollars that are brought in from the visiting teams is substantial. Also, we need to start thinking about making our own economy work better than it is and this is the perfect way to do that. I certainly would like to thank all the people that have worked so hard, Lew

Wolff, Susan Hammer, Michael Mulcahy for your leadership and commitment to bringing major baseball to San José, our redevelopment agency and city staff, especially economic development, for all the hard work that has been done, the Diridon station area good neighbor committee is doing a phenomenal job, I hear really good things in that regard. And this stadium along with the transit development is our divining moment as we work to create a vibrant and exciting downtown that we've all been working toward. I look forward to working with my council colleagues to make sure the stadium is a benefit to all relevant stakeholders. The city, residents, taxpayers and fans. This impact analysis builds a solid case that will clearly demonstrate to our voters the benefit of a downtown baseball stadium. From the moment stadium construction begins, San José will begin to benefit from the creation of jobs, et cetera. And for the long term picture the quality jobs that are created will continue to help our economy grow and prosper. This is an exciting time to be in San José and I feel very privileged to be serving on council during such an exciting time. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. I appreciate the comments from both councilmembers Liccardo and Pyle and want to thank also our team as well as the many folks, the many private citizens who have really stepped forward as well, to contribute their thoughts and their efforts, as well. I was -- I went to an A's game at the beginning of the season and you can definitely see the amount of traffic that's going up 880 from San José to that game. There's definitely a very great interest in baseball, great interest from the A's in San José and I agree with the comments regarding the potential economic development in regards to something that Councilmember Liccardo mentioned, which I agree with, is it's not necessarily an either-or proposition, equal comparison when you consider the potential for either commercial or retail development in that same location. In fact I believe a stadium would certainly precipitate that type of development, would precipitate commercial and office uses not only near the stadium but throughout the entire downtown and throughout the city. I also look forward to the jobs, the construction jobs that the stadium has the potential to create, as well as the jobs in ancillary industries, the restaurants, the hotels and so on. And just looking at -- when I was reading the report and looked at the most recently built or planned stadiums, the last eight, at least are already built or in the process of being built and in the case of Yankee stadium was just recently built, the average portion of the public financing was just a little over 62%. That includes national park in D.C., 97% publicly financed, Yankee stadium was publicly financed at a cost of \$1.4 billion total. The fact that we have an opportunity to have privately financed stadium, and of obviously there's be some public cost in terms of infrastructure cost which as Councilmember Liccardo correctly stated, if we are going to put -- whatever we put here whether office space or retail we would have to make that investment in infrastructure anyway. So I think the principles laid out when we initially asked this report be done have shown to be prudent and I don't think any of us up here would be supportive of a project of this nature if it wasn't fiscally responsible and actually had an opportunity to bring in a lot of money to our city in a responsible manner. So for that reason I'm appreciative of the study and certainly will support accepting of this report.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I agree with everything my colleagues have said, basically this is the right project at the right time in the right place. So I'm very excited about it. I know we've been doing outreach, RDA has been doing outreach and have reached out to District 8. And I know that folks in our area are very excited about this, and I think that one of the exciting things is, this goes beyond San Jose. This is a regional amenity and so we're going to see you know folks from Salinas and Hollister and Gilroy and Morgan Hill. It's going to draw from communities around the area, not just from San José. Bringing them to a wonderful ballpark and invigorating our economy. So it's very exciting, and I'm proud to vote to support this, thank you.

>> Mayor Reed: Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. Like my colleagues have said, I just want to take the opportunity to thank staff as well as members of pro baseball for San José, especially former mayor Susan Hammer and Mike Mulcahy for your leadership and really taking us through this far. Like everyone else, I'm really extatic about the possibility of bringing a great baseball stadium and major league baseball team to San José. But what I'm most excited about is the potential of creating quality jobs that this ballpark project will create for workers during these challenging economic times. We really need to do what we can to put people back to work, and this project will do that. However, I also wanted to express my great concerns regarding the potential impact, negative impact on public funds that this project might generate. I am supporting this project because I understand there must not be a negative impact to the

General Fund, not during construction or during its operating stage. It has to be like that. Having said that I'm still very excited, although I'm a huge huge San José giants fan, I think there's still room for two teams here and I look forward to making this happen. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: I think my colleagues have said most of the comments. But Paul, I wanted to ask you just one question. I know that you alluded, in the report and the presentation, that even though -- and you took a conservative approach that even though we have the lowest, lowest attendance, we'll still break even or make a profit. And I was wondering if you could answer the question, and if you can't, then that would be helpful to know that. What do you anticipate that the attendance could be for a game, or two games, or they games, as we continue to build that fan base?

>> Paul Krutko: Thank you, councilmember. Let me try to answer your question, then you can let me know if I get there. One of the things that's really important, is that working with our consultant, they looked at the sort of effect, when you build a new stadium, what happens in the first few years. And what you generally see is, is that the stadiums sell out because there is the accommodation of the team being in a new location, but the excitement of them being in a new venue that everybody wants to see. But what we did, again being conservative, is we allowed that to be in the model for the first couple years. But then we dropped the attendance down to 24,000, from its 32,000 number. So we're essentially taking something on the order of, you know, a 20% haircut, if you will, into the stabilized years. So we're already saying the attendance -- there is a real upside that we aren't counting. The next sort of piece of that is, when you look at what is generating the revenue to the city, what you see when you look through the analysis is a lot of the spending is something the team would have to do, regardless of whether they were being successful on an attendance basis or not, if you follow me. You've got to run the place, you've got to have it staffed, you've got to have the spending you'd be making in the economy anyway. And when that turns in the tables for the city what you see is the place where we could have a variable effect is on transit occupancy tax and sales tax. So what would happen if you looked at that, in the table that we really worked on there, I'll just give you the reference number, page 33, where we took that, reduced the attendance amount and reduced the revenue that would come to the city. So 24,000 attendees a year, we are anticipating we will make a little over \$1.5 million in revenue. So the way I would hook at that is, if attendance would be cut in half, it would go to 12,000, we would still be generating something between 600,000 and \$700,000 a year in revenue. The way I've looked at it, we haven't done a strict break-even analysis, but given the streams of revenue we would get and what it would come from there would have to be very little attendance in the building for us not to realize a positive revenue. And we think 24,000 fans on average in this part of the country, given what we know, how the A's have performed, and their current ballpark which is about that same number, we think that that's very achievable and that we're not at risk in terms of a break-even analysis.

>> Councilmember Campos: You did answer my question, thank you very much. I know that in the report you compared the development of office space, and a ballpark stadium. And I think a few of my colleagues have already mentioned this but we know that there are current spaces that are vacant right now, and we know that there are plenty of opportunities to build office space downtown, in north San José because we've been working on that. I think this is a great opportunity for us. It's been mentioned. I think that it's important for us to continue to be conservative, how you have been, so that we're able to show, even in the worst of times, we're hopefully breaking even. But I'm hopeful and I think most people are hopeful that San José has been very supportive of teams coming to our city, and if it isn't something that we were embracing before because we didn't have the opportunity, I think history shows that when you bring some type of sport here, the fans and the residents of San José tense to embrace that and they tend to flourish here in this valley. So I will be supporting this, and I want to thank you for the report. And I look forward to continuing the discussion as it continues to move forward. Thank you.

>> Mayor Reed: I'd like to take the public testimony at this time. We have some requests from the public to speak. Please come on down to the front when I call your name. Susan Hammer, Ross Signorino, Bob Brownstein.

>> Thank you, Mr. Mayor and members of the council. I just want to make two very brief points. First of all, this is a chance of a lifetime, my friends, a chance of a lifetime. If we and the good people, almost a million people, million people in the City of San José let this opportunities go by I'm not real confident that it will ever happen again. Somebody wants to come in and invest almost a half a billion, B as in boy billion in our city, that's extraordinary. That's not happening in cities across this country. The other thing that I hope you councilmembers who are out talking to your constituents and attending neighborhood meetings

and all, and I thank you for doing that, I know this is just one more thing that adds to your workload, but an important thing is that you'll emphasize the fact that this isn't just for San José. This is a regional opportunity in the South Bay drawing from San Benito and Santa Cruz Counties, and up the peninsula and, yeah, the East Bay. You know, what are all those good folks in Fremont going to do now that there's not going to be a stadium there, ball park there? They're going to come south. So I hope that people in your districts and all understand the opportunity that San José has, and we got to make this happen and I'm going to work hard to try to make our dream come true. We've tried it in the past and this is going to happen this time, I just feel it. Thanks so much.

>> Mayor Reed: Susan, thanks for your continuing engagement on this issue. You don't give up, do you? Been at this very long time. Ross Signorino and then Bob Brownstein.

>> Ross Signorino: Thank you, Mr. Mayor and members of the council. I want to disclose that I have spoken on this subject before. And I spoke to the mayor on radio KLIV last night about this funding and the situation of the ballpark. I think that one of the things, too, that we have to understand, the San José mercury has said a lot about this stadium, the negative and the positives and so on. But I think you have to be careful of selling the sizzle and all the hoopla, the main thing that we have to watch is the economics of this thing. What we are going to put into it and what we expect to get out of it. Now, as far as the infrastructure is concerned, even if a baseball team never went in that area, anyway, all infrastructure is good for the city. The people always benefit from that. There's no question about it. Now, if baseball, the stadium in that area, helps the infrastructure, all well and good. No question about it. But then we're talking about jobs. Jobs, jobs to build the place to build the stadium, those are all good quality jobs. One thing I'm concerned about, I've spoken on it before, I have said it before, I keep saying it again, the jobs that people can have and make a living, and affordable living that people can live off of the wages that they make, in that particular stadium. And then, too, one thing that has to be considered, the finances have to be considered in this as well, is our police department. How far are we going to stretch our police department which is stretched quite a bit right now. How far are we going to stretch our police department to police these areas? And who's going to pay for that particular situation? I think that has to be ironed out. I think Santa Clara County, I'm running out of time but I'll say it very quickly if I can. Santa Clara is doing that with this stadium that they're building. It's going to cost \$133,000 each game that the police have to work, and reporting on this they're going to pay for it, thank you.

>> Mayor Reed: You're out of time. Bob Brownstein is our last speaker.

>> Bob Brownstein: Mayor Reed, members of the council. This economic analysis provides positive preliminary information regarding the fiscal impact of building a baseball stadium in San José. However, it is a preliminary analysis. And it will have to be adjusted. For one thing, the data in the analysis is not quite as conservative as Councilmember Liccardo implies. A \$10 million figure for scouting and player development to be spec'd within San José is not a real number. That number is going to have to be adjusted downward. That analysis is not complete because it doesn't deal with the cost of land. Those costs could be considerable. And if they reach the level of say \$100 million, that has to be compared to the 30 year net present value to the General Fund which is much lower, about \$30 million. These problems can be fixed and to a certain extent their in your hands to fix them. One easy thing to do is calculate the construction taxes to be generated by the project. They are left out of the economic analysis and they could be used to offset the cost of infrastructure. Secondly, negotiate a good deal regarding the land. There's a lot of people in San José who want to see a stadium like baseball and want good fiscal management, too. To get all three requires you to do a good job at the bargaining table and hopefully you can reach all of those goals when you complete your negotiations, thank you.

>> Mayor Reed: That completes the public testimony. I had a couple of questions. First, if I understand it right, you're going out to the good neighbor committee with this report within the next week?

>> That's correct.

>> Mr. Mayor, we'll be with the good neighbor committee on the 24th, and we'll be doing a major league baseball 101 with them as well as spending some time on the economic impact analysis.

>> Mayor Reed: Good. And as you go around other community meetings and the district meetings and things you're doing this will be part of the presentation as well?

>> Absolutely.

>> Mayor Reed: Okay. One other thing. I know the staff has been cautious and conservative in many ways on the projections. I think you've been a little too cautious in one area. And that's on the sales tax revenues. And so I just wanted to check and maybe I misunderstand it. But it appears that in the calculation of the revenues to the City's General Fund, which are detailed on page 33, that the 1% City

share of sales tax revenue is booked in there \$500,000 approximately. But there's another, I think 1.75% of local sales tax revenues that would come into county VTA and actually to the city through Prop 172 Public Safety sales tax. So there's some more sales tax that would be generated here locally. And so when you talk about all of the revenues on the chart, say on page V, up in the beginning where you have 1.45 for net general fund revenues, and 3.533, total property tax revenues, that's not all the revenues, not all the tax revenues. So there's somewhere another 5 to \$8 million of sales tax revenues that could be captured and accounted for. I think that's important. Even though they won't necessarily come to the city, the county gets them and that's good news to the city, that deserves a little footnote here, there's more money than we're counting. And Bob Brownstein mentioned the construction taxes which aren't calculated here. There's some more revenues, I think that's a big plus, I don't want to lose those. Somewhere in a footnote or something it would be useful to call those out. Another thing we haven't looked at, again being cautious about this, is the impact on our neighborhood business districts. We've talked a lot about downtown but I think the Alameda and West San Carlos business districts are going to get a positive impact from this and that will all be good. But again, we're not trying to get the maximum number out of this. We're trying to get accurate -- we're trying to get numbers in the ballpark. And I think we've done that. So being cautious and conservative is helpful. I think it's important that we don't try to oversell this. It is a good deal, but we don't have to guild the lily in order to make it a good deal. And then finally, I know that there are others besides our good neighbor committee that are interested in this. There's lots of other stakeholders. Most of them are part of the good neighbor committee and it will be useful to have their comments. I know the staff will collect them along the way. And when we get back to considering a project, or a transaction with the A's, when we get permission from major league baseball, we'll have those comments and we'll have the best economic analysis that will be very helpful to us as we get into trying to make a decision. Because ultimately we'll have to make decisions about whether or not to move forward based on the best information available. But I want to thank the staff for getting this information done. It's very helpful. And even though there may be some changes in some of the numbers, I think we've pretty well described a good, positive impact. And if you look back at our negotiating principles, it's clear that we can fit within that principle that says it should have a significant economic impact on the city, and be good for our General Fund. This clearly will. Harry Mavrogenes, our executive director.

>> Harry Mavrogenes: Mr. Mayor, thank you for those comments and specifically with regard to the construction taxes, we will look at those more carefully and factor them into our budgeting process for the infrastructure improvements. Thank you.

>> Mayor Reed: Any other comments from the council? We have a memo to approve. All in favor? Opposed? None opposed, that's approved. Play ball. We'll now turn to the redevelopment agency consent calendar. Are there any items on the consent calendar that council wishes to pull for discussion? We have a motion to approve the balance, well, all the consent calendar, actually. All in favor? Opposed? None opposed, those are approved. 3.1, revised agreement, San José downtown association for promotional and marketing consulting services. We have a motion to approve. Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I know this item had come to us about three months ago. And I had asked a question about, would this agreement impact -- would this agreement include the salary of the executive director. And I would told it would have no impact whatsoever. Following that, I know that you -- the redevelopment agency staff issued a memo to that effect. And so I appreciate that. At that time, I didn't quite understand that the executive director, or the association, was a redevelopment employee. That was not clear to me. But today, with this action that is coming before us, it's very clear to me that the executive director is an employee of the redevelopment agency. I'm a little troubled by -- maybe troubled is a strong word, but concerned -- that as I've been on the council and the executive director has advocated forgiving taxpayers' money to deformity, as well as making comments about the bargaining units to forgo raises they had negotiated, all the while, I never knew that the executive director was an employee of the redevelopment agency. Now that I know that, I'm very concerned that an agency employee has come before this board advocating for money for an organization where he also receives a benefit. And I'm not sure, but I -- doesn't feel right to me. And I don't know if the City Attorney, or staff, would like to address that. But this is very concerning to me, as this agreement comes forward.

>> City Attorney Doyle: Councilmember Campos, I can address some of the concerns. I think the issue involving the executive director who as an agency employee was on loan to the downtown association,

has raised concern, when we discovered it in June, working with staff, and in consultation with the state attorney general's office, we advised that they sever that relationship. And that's the result of this, or that's what you have before you, in terms of the -- there will be a severance of the relationship. Mr. Knies will be exclusively an employee of the downtown association, and this contract is intended to help facilitate that.

What we -- the concerns we've raised are really under Government Code Section 1090 which many of you are familiar to the extent that there's a technical issue in terms of whether he was negotiating contracts on behalf of the agency or on behalf of the downtown association. Notwithstanding that sort of technical distinction, the Attorney General has advised that from an appearance standpoint at a minimum, we need to make the change. The same with respect to some FPPC conflicts issues. And it really just -- this tries to avoid that classical ethical dilemma of serving two masters. I think we're trying to correct that, my appearance, I think would be corrected by this action, as well.

>> Councilmember Campos: So Rick, what I'm hearing from you is that clearly the executive director is not as we sit here today, is not an employee of the redevelopment agency?

>> City Attorney Doyle: I think as we sit here today, my understanding is that he is an employee. But I'll let the executive director --

>> Harry Mavrogenes: The other executive director. The intent of this action is to shift the responsibility to the association. With your approval of this item, we will sever that relationship. So up to this point, for the last 20 years, it's existed that way. It was discussed with the attorneys and we feel mutually this is the best approach. It severs the relationship and it's clean. The downtown association takes up the full responsibility of his salary. There is a reduction, essentially in their revenue because of this action. We save 150 on salary and benefits. They pick up 100 more from us. So we're sharing in that impact. But they will feel \$50,000 impact as an organization. And we appreciate their consideration of that. So the action today is really corrective. And we want to move forward with this.

>> City Attorney Doyle: Councilmember, would I add that our recommendation is, with or without this amendment, we recommend a severance of the relationship, that he needs to be let go as an agency employee and it should be solely as an employee of the downtown association.

>> Councilmember Campos: So thank you for that explanation. It's a little more encouraging to know that the executive director for the redevelopment agency is going to be correcting that situation. So asking another question on that, why would we approve a \$100,000 subsidy to support the salary of the executive director, when we know that the state is actually going to take \$65 million from your current budget, and we know that the opportunity is not going to be there to keep all of our employees that work for the redevelopment, and there's going to be some really tough choices that you as the executive director are going to have to make. And we know that certain capital projects and programs that are designed to improve the quality of life for our city, and underserved communities, are also going to be in jeopardy. I am wondering why would we not take this item up in full discussion when we're talking about the redevelopment budget?

>> Harry Mavrogenes: Well, as I mentioned earlier, this is a \$50,000 in the payment to the association. So it is -- they are impacted, as well. And the impacts of the state are very clear. We're looking at all our budget items but this is in line with that, in that it is a reduction in payment to the association overall.

>> Councilmember Campos: So I'm not seeing how it is a reduction. I mean, the downtown association has 14 employees. I know that they have an annual budget somewhere around \$3 million. I mean, he was employed by the redevelopment agency when he should have been employed by the downtown association. So Harry, it is really not clear to me why we would be putting that \$100,000 to pay for his salary in an indirect way.

>> Harry Mavrogenes: Well, maybe I wasn't clear. We are saving \$150,000 in salary and benefits, and we're adding \$100,000. The net benefit to the agency is \$50,000, there is a net reduction.

>> Councilmember Campos: We are still paying for a portion of his salary?

>> Harry Mavrogenes: Yes, we are.

>> Councilmember Campos: And that's what I'm having a real problem with.

>> Harry Mavrogenes: I understand.

>> Councilmember Campos: When we know we are going to have to lay off redevelopment employees somewhere and projects are going to be eliminated. I think it would be best for us to take this issue up at the time that you bring the redevelopment agency budget, so that we're looking at all entities and we have a clear picture of what if redevelopment agency's budget and staff will actually look like.

Those are all my comments.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Harry, I just wanted to clarify. I thought the savings to the agency was approximately \$60,000, is that right?

>> Harry Mavrogenes: Island let Abi answer. He has all the details.

>> Abi Magamfar: Yes.

>> Councilmember Liccardo: The aggregate, about \$625,000, reflects a 10% haircut from what we would otherwise be paying with the combined salary, benefits and payment that would have otherwise gone to the downtown association?

>> Abi Magamfar: That is correct.

>> Councilmember Liccardo: The organization is taking a 10% cut, and the reduction in the \$625,000 essentially could be used for his salary or anyone else at that organization, is that fair?

>> Abi Magamfar: That is fair to say.

>> Councilmember Liccardo: As I understand it, then, all through this process we have been shifting the contract from the downtown association, no longer are they being paid on reimbursables but deliverables, on generating attendance and so forth for downtown events and businesses and so forth. Whether it's downtown ice, music in the park or whatever it may be, is that fair?

>> Abi Magamfar: That is true. There is an schedule of performance that is part of the project.

>> Councilmember Liccardo: Okay. I think the \$625,000 frankly is a bargain given what we get out of this organization. What we get out of this organization is an enormous amount of marketing not just for the downtown but for the entire city. We've seen events, not just weekly events but farmers markets, I encourage people to go down on a Friday and look at how many people are ambiguously around. They basically close off the streets because there are so many people shopping. It's a great thing to see and without the downtown association I really hesitate to think what becomes of many of these institutions we've become used to. The downtown ice has become iconic in the holidays. Music in the park is something we celebrate throughout the summer. All the other kinds of events that we've been a part of and then on top of what they do for all the downtown businesses which are struggling so much. So I think it's money well spent.

>> Mayor Reed: I might be the only one in the room who was around when this got put together 20 some years ago. Scott Knies is here, so Scott was around. We've been doing it this way for 20 years, in part because when the downtown association got started it was the first of a kind, it was an experiment, and the redevelopment agency was being creative on how we could support the downtown association. And that's how Scott ended up on the redevelopment agency payroll as the first model. We've done it different ways with different associations and business improvement districts around the city. So this is an historic relationship. But I agree that it's time to change it, so that Scott Knies works for -- only for the downtown association and doesn't have -- not on the agency payroll. And this is what we're doing, we're making that switch and we're essentially reducing the support for the downtown association by \$60,000. That may not be the end of what we have to do with the downtown association support, just as we're going to have to look at everything we do on the redevelopment agency budget as we go through the budgeting process. But at least today we can make that \$60,000 reduction and get this administrative confusion squared away. So I'm going to support the action and we'll deal with the budget issues like we will with all the budget issues coming up relatively soon in October, and November, and December. Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. And as you just stated mayor, in regards to the budget, if we were to adopt this change, which I guess reduces the net or the total amount that the downtown association is getting in some sense, the current setup, it's much of the salary of an executive director, and if we adopt this, it will be just an overall reduction as Councilmember Liccardo was mentioning. Does that in any way preclude us from further analyzing this as we analyze all other items that are part of the redevelopment budget as we go forward, the next couple of months?

>> Abi Magamfar: Councilmember Kalra, this action, as Councilmember Campos mentioned, was originally approved by the board in June. This is a one-year contract from July 1st to July 30th. It does not preclude the board from discussing their funding to the downtown association and then in the next budget cycle.

>> Councilmember Kalra: I think that's kind of going off what the mayor indicated, look at everything, just especially with the cutback that Councilmember Campos referred to, the state impact on the redevelopment fund, I think there is nothing that is so sacred as to not to be evaluated and analyzed, the more important issue is the severance issue. You know, I had no idea, I know Scott does a great job in

advocating for the downtown. And I don't know that he was a redevelopment agency employee. Wasn't around when that relationship was formed. I think I was in elementary school. [Laughter]

>> Councilmember Kalra: Sorry to throw that in there. But I think that's the most critical. It's not just a matter of a short change relationship for convenience sake, the Attorney General that's taken a look and I think it's pretty clear, knowing what we know now, that I just think it's inappropriate to have the redevelopment agency employ the former director of the downtown association. Although we would hope, and I think that's probably the case most of the time the interests are aligned, there may be occasions and there are occasions where that might not be the case. And so I think that not only does that put the executive director of the downtown association in a difficult position, it really puts us in a position at times that I think is inappropriate, and not just by appearances, but I think that legally, the advice of the attorney general that we would be following is correct. So I certainly appreciate Councilmember Campos for bringing this issue to our attention, and for spurring the research that was done by the city attorney's office. And agree that as we go forward, looking at the budget, that we should certainly, as we will -- all items, look to see whether there's an appropriate commitment be made, even with this reduction, but as we know we're going to have to continue to make some type of decisions in the next few months. But the severance is the most important thing to me, and for that reason we should not hesitate and should not wait.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you. I think the important thing to note here is that while some of us may not have known this was the case, it's just because we don't have the history of being here. It was a deliberate act of a prior redevelopment agency board who did this. So I really don't feel there was anything underhanded in getting us here and I just want to make that really clear. Sam makes a couple of good points. This is a significant reduction in terms of percentage of funding. We have to look at that. Not only the fact that we're addressing a problem or a perceived problem, we're also doing it in a way that we still get critical amount of services and business into the core of our city which is really our main goal as a redevelopment agency. So I just wanted to echo the comments that Sam made.

>> Mayor Reed: Take some public testimony at this time. Eric Sohn, Yolanda Cruz, Bob Brownstein.

>> Thank you, mayor, city council, speaking on behalf of the downtown association, I'm the current president. We support this motion. We support cleaning up the relationship between Scott and RDA and our group. We think that's a good step. What's important I think from our perspective, beyond the paperwork here, is the budget impacts as it relates to our association and our mission, helping our community and our downtown. It's been a tough year for us, just like everybody else in the city. We rely on business improvement district fees and those have been down as businesses are closing unfortunately. We rely on revenues from events, and those revenues are down because people have less to spend. We rely on the revenues from the city, because of this marketing agreement, we started the year expecting to be flat, which was a bit of a surprise frankly because we knew everybody was taking cuts. Now three months into the year, four months into the year we are being asked to take a 10% cut retroactively, which we will support and we will roll up our sleeves as we have been doing this year. We have been instituting new programs, we have been working harder because we have a bigger job. Whether it's Dine Downtown, or the Zombie Crawl, or San José's Got Talent, I mean, we've gotten -- we've been doing more for our members and more for the city. So I hope you remember that next year, when you come to think about what we need to do to help balance the budget facing hardships, we will have already taken a 10% cut. We would like to keep our programs going. Thank you very much.

>> Mayor Reed: Yolanda Cruz and then Bob Brownstein.

>> Hello, my name is Yolanda Cruz and I'm the president of AFSCME MEF city employees. I'm here to raise concern and to also, go into concern, the same as Councilmember Campos. I'm concerned that you are making an decision to add money to -- to give money to an association or to anybody, without having a current budget in place. As we go through all of the challenges that we've been facing this last fiscal year, this current fiscal year, and in the coming fiscal year, there's been some significant discussions made about whether or not we needed to continue to fund the strong neighborhood initiative where we have a significant number of members in that group that spend time keeping the neighborhood safe. And to make decisions before you actually have a budget is of a major concern to us. And I'm questioning how it is that you are doing this, and frankly, I'd like to have the calculator you use, by adding \$100,000, is really taking away money. I'm concerned about this issue. I don't understand what you're doing. On behalf of our members, we're very concerned about the fact that there are decisions being made in a way that you would not do for us. We gave up a significant amount of money in order to help the city balance its

budget for the General Fund. We know that there's still going to be some money taken away as Councilmember Campos said, from the State. There's also been approximately \$25 million that's been allocated to help fund some of the city's services which may also be in jeopardy. And it's just astounding to me that you would think of doing something like this at this time. You should be going through the budget process in order to do this. The severing of the thing, I believe that's important. I understand what that is. But to give additional moneys, seems unfair. Thank you.

>> Mayor Reed: Bob Brownstein is our last speaker.

>> Bob Brownstein: Mayor Reed, members of the council, my interest in this issue is strictly on the question of whether redevelopment expenditures for city services are treated differently, as we go into the budget process, than redevelopment expenditures for contract agencies and for consultants. As you are probably aware, the redevelopment expenditures for city services have not been fully funded. They were only funded through the end of September and you'll be asked in the next agenda item to continue them only until the end of December while the agency works on its budget and figures out what it wants to do. In other words, city workers, say, in the SNI program, have no money in the agency's budget assuming you extend the funds for city services until the end of December for the second half of this scholarly. Now, if that's the way city employees funded by the agencies are going to be treated then consultants and contract agencies should be treated the same way. Their budget allocations should end at the end of this calendar year, and then everybody is going into a tough budget process on a level playing field. It doesn't prejudice the final decision regarding anybody. It just creates a sense of fairness. What I would say is make this decision but have the budget action end on December 31st, just like the way city employees working for the agency are being treated. Thank you.

>> Mayor Reed: Ben, did you want to speak?

>> I did.

>> Mayor Reed: I think we won't need a card. We can arrange things without a card, if necessary.

>> I apologize for getting the card color wrong. Thank you, Mr. Mayor, members of the council, last Spring the city budget was under severe pressure. In response, the city asked its unions to open their existing contracts and agree to new terms that would be less costly. Several bargaining units responded saving the city millions to maintain services. Now it is the RDA budget which confronts major shortfalls. Much of the RDA's resources are tied up in agreements previously negotiated. But if the city unions could be asked to renegotiate their contracts for the public good, the same request should be made of businesses that are the beneficiaries of RDA expenditures. We support guiding principle number 6 which says that the RDA should seek renegotiation of existing agreements, in order to save money. We negotiating contracts with lawyers and architects and other RDA contractors will not be pleasant thing for the city staff to do, but they should be directed to do that. Also, this may be an appropriate time to evaluate whether or not the maintenance of separate staffs at RDA and city OED constitutes April unnecessary duplication of effort. RDA has an operating budget of over \$15 million. Even if you exclude civil service personnel on payments to the city at a time when the public is being told that important capital projects may be deferred and vital public services are at risk, duplication of economic development services cannot be justified and I urge the city council to initiate immediate evaluation of ways in which RDA and OED operations can be combined to achieve greater savings and improve effectiveness. Thank you.

>> Mayor Reed: That concludes the public testimony. Councilmember Chu.

>> Councilmember Chu: Thank you, mayor and first off, I'd like to thank Councilmember Campos for bringing this issue to the table. I was definitely surprised to find out that Mr. Knies was essentially an RDA employee for the last 20-some years. I would really like to see that this would be folded into the RDA budget process, you know, coming up hopefully in the next couple of months, instead of voting it as a line item. So -- and also, I was wondering, this was definitely an exception case. I wonder if we should do a thorough investigation to make sure to -- you know, there is nobody else out there was actually on the double-payment. I mean, it takes us 20 years to find out about this case. I would like to ask for a thorough investigation, both in the RDA and the city side, to make sure that we don't have anybody else out there that are kind of double-dipping.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I know that this recommendation is being framed as a net saving to the redevelopment agency. But as I stated earlier, it doesn't appear to be a net savings. The executive director has been a redevelopment agency employee. I don't know, maybe ten years, and if it's -- I'm not correct, Harry, you can correct knee, but it appears that what we are taking today is to give

\$100,000 to the agency to pay for the salary of the executive director. I have always been supportive of the marketing agreement and supportive of the efforts that they've been able to do, the agency, the downtown association, to increase event, attendance downtown. But it is very clear today, that there have been an agreement that was inappropriate, not to anyone's fault, but it was discovered three months ago. And I just am feeling very uncomfortable moving forward on this particular item. So I will not be supporting the recommendation to increase from \$500,000 to 600-something thousand. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to ask a couple of questions for clarification. Abi, or Harry, or John, or anyone that wants to respond. First of all, this council took action to approve an RDA budget in the fall of 2008. [audio drop] I didn't -- my next question. I'll be quite honest, I didn't know about the arrangement with the executive director. I know that nobody was hiding the ball. This is the way it had been done for a couple decades. And so I certainly appreciate that Councilmember Campos has identified potential source of conflict of interest. And we're going to remedy that. But I think it's important that we clarify, because I know Yolanda Cruz raised the issue as well, as to whether this was really a reduction or not. There was a separate allocation for \$160,000 that is going away. And we are subtracting that from our budget. That is a net savings of 100 -- I'm sorry, that is a savings of 160, we are adding in 100, that is my understanding of the math. Am I incorrect, Abi?

>> Abi Magamfar: You are absolutely correct.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Councilmember Chirco.

>> Councilmember Chirco: I just had a question. As I understood, funding for the SNI personnel goes through December '09.

>> Abi Magamfar: That would be only the SNI personnel on the city side. The agency funded three months of those personnel basically through September 30th, there's an action pending coming to the board on September 29th, for extension of that through end of December, until the agency's budget is adopted.

>> Councilmember Chirco: The agency's budget that we're going to be taking up, and I know there was a request to move the budget discussion until later in the year. What -- what was approved, actually -- I'm getting the impression that this funding went through July 1st, '09 to June 30th, 2010. What else was approved for that fiscal year? Because everything else seems to have postponed until the budget discussion happens in November.

>> Abi Magamfar: A series of actions was taken by the agency board at the end of June which included appropriation. And downtown association was one of those actions. But not knowing where the total budget was going to be, the funding for the City side was only included for three months, anticipating at that time that we were going to come back with our budget in the month of August, and adoption in September. Now that we have been delayed for bringing our budget, therefore we are coming back for extension of that funding for three more months.

>> Councilmember Chirco: Okay. So all of the contracts, were approved for the fiscal year?

>> Abi Magamfar: Most of the items are that were adopted for budget for 2008 that they carried over until 2009-10 were part of that appropriation in June.

>> Councilmember Chirco: Would it be impossible to make this increase of \$100,000 for the downtown association part of that to eliminate, you know, the 160 to get us correct with the attorney general, and to make it, well, basically, you know, half of that, \$50,000 for the six months from July 1st to December 31st, because you're coming back with another three-month extension. So that that does become part of the budget discussions, that we'll be participating in, in November?

>> Abi Magamfar: If I understand your question, councilmember, you're suggestioning to do a six-month budgeting for --

>> Councilmember Chirco: For that one line item. Because it kind of caught the council unawares, I totally agree the downtown association is a vital part of the work that we do. But I think Councilmember Campos has a point. But I also agree with Councilmember Liccardo, that they are a crucial part of our overall strategy. But I think there might be a greater sense of comfort if that is included in the budget discussions. And so I'm asking if that is something that would be possible. A simple yes or no will suffice.

>> John Weis: It's possible that you could do it that way. But this contract, I know they're already into their contract year. And they've got a program established. But it might cause them some difficulty. We would recommend that you approve it as it is today.

>> City Attorney Doyle: Vice Mayor, I just wanted to note, the contract is an annual contract and as you pointed out, it expires June 30, 2010. There are various deliverables under the contract set forth. So this revise contract by 100,000 to help them absorb the cost of the executive director's salary. It's possible to make it, since those payments are being made quarterly, to make it add 50 and then revisit the issue and then you can always add more as part of the budget process, if need be. The alternative is, that we can terminate this contract without cause, on seven days notice, and as part of the budget process you determine you don't want to go continue to fund it, we can always terminate it. So that's -- we have two options there. It really is the council's call.

>> Councilmember Chirco: We've had a great relationship with the downtown association. And I would like to see that partnership continue. But I also want to respect all of our partners. And it's certainly not to impose additional hardships on an already struggling organization. And -- but I think in deference to some of the concerns I've heard, I would like to ask the maker of the motion if they would accept a friendly amendment, that the \$100,000 be given to the downtown association as attorney Doyle has said, quarterly, and to make it until December 31st, and to make that part of the budget discussions. Just simply because I want to continue the good relationships that we have had with the downtown association. And to respect both parties of these contracts, the city as well as our partners.

>> Councilmember Liccardo: Vice Mayor Chirco, thank you for the question. May I ask the question that might help illuminate our pact here. I know we have several partners through Redevelopment Agency, and I know there are millions of dollars spent for instance in the gang prevention programs where we contract with nonprofit organizations. My understanding is those contracts typically run along the fiscal year of those associations, is that fair?

>> Abi Magamfar: That's correct.

>> Councilmember Liccardo: Is that typically how we engage in all organizations which have fiscal year budgets?

>> Abi Magamfar: Right.

>> Councilmember Liccardo: So the downtown association if we were to go this approach would be the only organization in which we basically split up their fiscal year so they can't plan a fiscal year budget?

>> Abi Magamfar: That would be the only one, yes.

>> Councilmember Liccardo: That would be my concern. It seems to me we need to treat all of our organizations --

>> Councilmember Chirco: I agree. The only reason I bring it up is at this late date, we get some additional information and then ask to change a motion that we did in June, with change of information. I'm not against it. And I respect the denial of the friendly motion. But I just think it speaks to giving us the best information we have when we have to make these very challenging decisions. Thank you, Sam.

>> Mayor Reed: Councilmember Liccardo, did you have anything else? Councilmember Herrera?

>> Councilmember Herrera: It sounds like we have two issues, and it is unsettling to find out about the issue of an employee from RDA being on a payroll of another organization, it's certainly news to me and I appreciate Councilmember Campos for bringing this to the council's attention. It seems like there's two issues. One is obviously correcting that problem. And certainly, I think everybody here is supportive of that. And then the other issue is the funding of the downtown association, which I think we all support. I certainly am in -- I'm in support of both and I'm going to support the motion. I'm not talking about a friendly amendment but I certainly would like during the budgetary process to again take a look at the money we are putting forth to the downtown association. We need to look at it again as we are looking at everything. But I do think we need to keep these items separate. I do have a question, I guess for my own understanding here. So the 100,000 that is going to be given, and we are again saving 60 or 50,000, I keep hearing 60 and then 50, we will be saving because we are not having this person on the payroll anymore. It is my understanding, part of the reason I can support the motion, that is going to their budget, and it is really up to them how they are going to use it. It's not earmarked for an executive salary.

>> City Attorney Doyle: That's correct.

>> Councilmember Herrera: So that's how I'm viewing this, we are taking this person off our payroll, which we need to. Downtown association has a pot of money they need to work with. We may decide at our next budget hearing or the next time we review this, that we have to cut them further. It is up to them, how they utilize that funding, whether that goes to the executive director or however they manage their pot of funds. So that's how I'm viewing it. It's unsettling to hear all this today, and I'm going to support the motion, and I do think we'll need to revisit in the future. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. We can look at it all we want, that we're giving them an extra 100,000, they can use it however they want but we know they're going to use it for their executive director salary. The downtown association is going to have a much bigger burden, they are taking a \$60,000 hit. If they took a \$160,000, it would be much greater. This extra money, we can say they can use it for everything but in reality it's going to offset the extra burden that the downtown association has for salary. So I think that's partly where I think I can see the discomfort from Councilmember Campos in yeah, we're saying we're just adding money and they can spend it wherever they want but if we're realistic about it we know that money is going to the salary. Given the fact that this is a corrective measure from June, where we had already approved the \$525,000 plus the salary, the net is that we are saving money from the redevelopment budget and we are saving approximately \$60,000. And given the fact that the -- some of the questions that Councilmember Liccardo elicited for information in regards to the fact that all agencies we deal with, that work on a fiscal budget, nonprofits and so on, they -- we all know they go from a July 1st to a June 30th budget. So it would be a switch that we're treating this one organization different. However, I will reiterate the concerns I have about the severance, I think that's still the most important issue that we never would have really gotten to if Councilmember Campos hadn't raised these issues. So I agree with Councilmember Chu's comments that if there are other relationships of this nature that we're not aware of, to I think that this was something that was -- that the redevelopment agency was aware of apparently, other folks were aware of it because it may have happened a while ago but it's just -- it's been so long that it's something that isn't necessarily on the radar of many of us and particularly those of us on the council. But some -- there might be redevelopment staff that knows of other relationships or situations like this where we can take a look at and say is this appropriate or not. So I am very glad that at least that aspect of it has been dealt with. I also put the motion because it is a net savings to our redevelopment budget. However I do agree that we need to further analyze this and we're going to have to analyze this and all other contracts we have just because we're going to have less money in our pool from the redevelopment agency anyway, thank you.

>> Mayor Reed: City Attorney.

>> City Attorney Doyle: I just want to make absolutely clear. The contract contemplates two amounts, the \$5 five 25,000 for professional services supplies materials and equipment and while not specifically earmarked for salary, it specifically does say that \$100,000 to offset the impact of consultant's operating budget of absorbing the salary and benefits of the executive director position. I'm not saying you can only spend it on that. It's intended to absorb that cost. That's what the contract reads.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just want to clarify some -- I wants to you clarify. I know when this came three months ago I had asked the question about whether what we were voting on included the executive director's salary. And there was an info memo that came out and said it did not include the executive director's salary. And then I heard you comment that it did include. So I just want clarification on what action really took place.

>> Abi Magamfar: Councilmember, my recollection from June is, that whether or not the salary that included a 19% increase at the time was something that we had granted to the executive director of downtown association, my answer was no. Later, we found out that we have a provision, as for all of our employees, that employees can sell back their accrued PTO, and that additional fund that was reported by the executive director of the downtown association was as a result of sale-back of vacation time. As far as Scott's salary, the agent's net salary is \$119,000. And then by the time you add all the taxes and benefits, it approximately comes to \$160,000.

>> Councilmember Campos: Thank you. I'm ready to vote.

>> Abi Magamfar: Thank you.

>> Mayor Reed: I am too. We have a motion to approve. Councilmember Liccardo, long long ago you may remember that. Anything else on it? I hope not. All in favor? Opposed? Chu, Campos, opposed, so that passes on a 9-2 vote. Taking us to the next item on the agenda which is item 3.2, approval of calendar and guiding principles for FY 09-10 operating capital budget. And the 9-13 CIP process. We've actually started talking about elements of this. In terms of renegotiating contracts which is one of the principles I'm suggesting. I have a memo in front of the council with a proposed schedule for how we take up answering the difficult questions about what do we do, now that the state is taking all of our money. And guiding principles to work our way through that process, as the agency puts together a proposed budget and we begin to look at what we have to do with the difficulties the State has placed at

our doorstep. That memo is here. I'm happy to answer any questions anybody has on it. Staff may have some additional comments on it, as well. And we do have some requests to speak on it. So Councilmember Campos.

>> Councilmember Campos: First of all, mayor, I want to thank you for putting this memo out. Because it helped give me a clear idea of the direction that you want to go. And so it's very helpful as we continue to move forward in thinking about where we're going to fund projects. One of the things that I was thinking, and I was trying to figure out, if one of your guiding principles would fit into some of the things that we've been able to do as a city in partnering with school districts to leverage our dollars. And it was unclear where it would actually fall in. I thought maybe it could fall in number 5 or maybe number 9. But I think it would be helpful if you're willing to amend some of the language to actually say that projects that will collaborate with entities that have long term community priorities, maybe it's around school districts, in partnering, an one of the examples that I'm thinking about is that we know that the Alum Rock school district recently passed a large bond your which gives those an opportunity to leverage some of our SNI money, and also, our priorities as we move forward in the city.

>> Mayor Reed: The idea of leveraging our resources is an important one. And whether -- I've used language that speaks to item number 1, actually, of the guiding principles to evaluate and rank existing programs, projects and contracts based on leveraging private investment. Private investment I think is too narrow. I think you've opponented out there are other opportunities like in school, we are leveraging, we put in a small amount of money, they put in a large amount of money and we get great benefits. I think we would modify that private or public investment because the school district dollars are just as good as the private sector dollars when it comes to creating jobs and helping us out. So I think that's an important thing to note.

>> Councilmember Campos: Okay, thank you.

>> Mayor Reed: I have some people who want to speak on this. We'll take those now. Bob Brownstein and Ben Field.

>> Bob Brownstein: Mayor Reed, members of the council. In its two-year budget last approved, the agency had four core services that it focused on. Creating jobs and expanding businesses, building public facilities, developing affordable housing, and strengthening neighborhoods. As I read these new priorities, building public facilities and developing affordable housing have ceased to exist as agencies' priorities and strengthening neighborhoods has been put far, far back on the back burner. I want to make sure I understand fully the implications of this. Are affordable housing funds going to be used to deal with the state demand for redevelopment resources? Is the affordable housing program essentially going to be a nonpriority in San José? Because of the state budget crisis? Because that's what this priority list sounds like. And have all the people who have been involved in SNIs been told that today guidelines were going to be adopted that would say the SNIs programs essentially are barely in the picture in terms of the redevelopment budget? Because if they haven't been notified, they should be notified. Secondly, the agency asks that it be allowed to develop prioritization criteria to deal with the areas which it says are priorities, like creating jobs and bringing in money into the general fund, they need to do that, but they should bring the prioritization model back to this council for public review before they use it to develop a budget. Otherwise, we're going to have a whole redevelopment budget and a roomful of people that say we disagree where all of it because we were never involved in developing the prioritization methodology. Based on that I got a public records request, the agency has about \$38 million in open consultant contracts. Now, that doesn't mean there's \$38 million lying there. A lot of that money has been spent already. But there are a very large number of open consultant contracts and no new work should be done under those contracts until we get into this difficult budget session, so we can discover whether they are more important than, for example, the SNI program. So I hope somebody could answer my questions regarding affordable housing and notification regarding the SNI as we go forward on this item, thank you.

>> Mayor Reed: We'll come back to that. I think Harry will have some comments. But I want to get Ben field, if Ben is still here. I don't see him, Ben appears to have left. So executive director wanted to respond to some of the comments we received.

>> Harry Mavrogenes: Yes, Mr. Mayor, members of the board. This is going to be a very challenging and difficult budget year, as we have -- I've told many of you individually as well as at previous meetings. The priority list really tries to continue to fund the many successful programs we have. Affordable housing, 20% of our funds go into affordable housing. They will continue to go under state law into affordable housing. There are some possibilities that we are looking at in terms of a borrowing from the affordable housing fund. It isn't our intention to harm or cripple that program, because

among the state's leading cities our housing program has been a shining light and has provided a significant amount of units. So whereas, in other cities, that hasn't been the case, we want to continue that success. So we are working with city staff now, to look at other provisions, other things that we will have to adjust. We're looking at all forms of volume, we are looking at our assets and we will definitely go out to the community detail. We have been working with our SNI partners and we will continue to do that before we bring a budget to you as we have every year. So every element of this budget is going to be carefully scrutinized, this year, in a shortage year. I am anticipating cooperation from all our partners, as this is going to be difficult. But I think the mayor's criteria are very acceptable to us and really allow for many of our successful projects to continue.

>> Mayor Reed: All right. Any other questions or comments from the council? That was all of the public testimony. We have a motion to approve that, and I would just check with the maker of the motion to ensure that includes Councilmember Campos' comment about adding the public leverage to item number 1.

>> Councilmember Constant: Yes, it did.

>> Mayor Reed: Any other questions, comments? Motion to approve, all in favor, opposed, those are approved. Next item is 6.1. Approval of a master lease with RSTP investments for business incubators in the downtown.

>> Abi Magamfar: Mr. Mayor, we have a short presentation on this item.

>> Mayor Reed: Okay, before do you that I don't want to forget. I have some disclosures to do. In preparation for this meeting my staff or I have met with Mary Sydney from San Jose State, Melinda Richter from the environmental business cluster, Omar Menson from U.S. MAC, Carlos Figueroa and members of the board of the Greater Hispanic Chamber of Commerce, Michael Shadman of Shadman Engineers, Zag Kada of Kada FLP, and Peter Ajaloni, attorney for Kada. Councilmember Liccardo, did you have something before the presentation?

>> Councilmember Liccardo: I also want to disclose that I've met with the Greater Hispanic Chamber as well as Peter Ajaloni. I have not met with him, I've communicated with him via e-mail.

>> Mayor Reed: All right, Abi.

>> Abi Magamfar: Mr. Mayor, members of the board. I want to give you a little background on where we've been the different programs under the incubation in downtown. The first graph you see in front of you lists a number of programs. Environmental business cluster, or commonly referred to as EBC, was founded in 1994. It is a clean tech incubator. Currently there are 15 tenant companies in the program, and we have had 71 graduates since inception. The U.S. Market Access Center, or commonly referred to as U.S. MAC, was founded in 1995. This program provides services to international technology companies, entering the U.S. market. Currently, it has 31 tenant companies, and has had 160 graduate companies. Entrepreneur center, or E-center, was established in year 2000. This organization provides services for small businesses and entrepreneurs. Eight service providers are amongst this group, including SBDC, Silicon Valley Small Business Development Center, SCORE, which is also Service Corps of Retired Executives, TMC development organization, new America opportunity fund, greater San José Hispanic chamber of commerce. Hispanic chamber of commerce of Silicon Valley. Bay Area development corporation and the SBA. This organization serves approximately 10,000 people annually. SD forum, Software Development Forum is a software industry group for technology professionals, was established in 1983. It has 2,000 members in Silicon Valley and serves approximately 12,000 people annually. The building that we have proposed to lease at 100 East Santa Clara has the ability to accommodate all of these programs on individual contiguous floors in a single building. The ground floor of this building will comment the he e-center which is critical to the functions of the different programs that I mentioned. This building has hard wall offices and flexible space for cubicles to accommodate everybody. The lease negotiation has a competitive lease rate, includes 30 parking spaces, at no cost, plus discounted parking for additional 30 parking spaces. Most of the offices are furnished, and it activates an historic building downtown. The benefits that we received from this consolidation, it maintains and creates synergy for branding of the San José innovation center. Reduction of total square foot from 43,000 to 26,000. A footnote over here, one other program that the agency has been supporting, as well, the software business cluster, which is also occupying approximately 20,000 square foot, is not part of the relocation plan as they -- and study analysis that was completed by agency found that the functions and relevancy of that group is no longer serving the original intended need and we have six quarantined that program that will be either relocated, or if they choose to, they can stay where they are. The reduction of leases, as we currently lease five different releases to accommodate

these programs. Eliminate duplication of services and simplify program operation for San Jose State University Research Foundation which manages environmental business clusters and U.S. MAC. The move provides significant cost saving for the agency by approximately 50%. Cost savings through overall reduction of square footage required by different programs. The annual cost savings is approximately \$600,000 for a total of \$3 million over a five-year term of the lease. A little more background about the support that the agency been providing to different incubator programs. To date, the agency had to spend \$19 million on rent for these four different buildings that the agency rent for programs. From this \$19 million, \$9.1 million is for environmental business cluster and software business cluster, at 2 North first Street. 4.4 million for U.S. MAC at 111 North Market Street. 3.4 million for SD forum at 111 West St. John Street and 2.1 million for the East Center at 84 West Santa Clara. In last fiscal year, FY '08, '09, the agency's rent obligation was approximately \$1.2 million for these four leases. The total square foot as I mentioned earlier for all the programs, approximately 62,000 square foot. But due to the fact that we are not relocating one of the programs, the effective net is, 43,000 square foot. The -- in the fall of 2008, the agency commissioned the analysis for this various program. And as a result of that, the decision to consolidate the program was a primary goal of the analysis to create additional synergy and cost saving. The building at 100 East Santa Clara was analyzed along with six other buildings downtown, including the four buildings that we currently lease, none of the existing building provided the efficiency and the space requirement that we had for the relocation. It goes without saying, based on the conversation we had just for the downtown association, that we have difficult budget situation and everyone has to be able to live with less. Staff will continue to work with different program operators and San Jose State University as well as Humboldt State University who manages the Entrepreneur Center to work on the planning and programming of moving everyone to the new building upon approval by the board. The building provide as I mention a full service lease. When we initially submitted an LOI for the building, the PG&E cost and janitorial services was supposed to have been paid by the agency, subsequently we renegotiated the terms with the owners of the building and the landlord takes all those costs now. So the savings are as we reported initially. Thank you.

>> Mayor Reed: I had one question before we got into the presentation of this and your discussion on the incubators. I remember seeing a number that our incubator graduates have raised more than a billion dollars in private capital, some of them have gone public, and some have had additional investors. I can't remember the exact number but it was over a billion, is that right?

>> Abi Magamfar: That's correct, Mr. Mayor.

>> Mayor Reed: I knew it was a big number. I didn't need to know to the exact, but it is a lot.

>> Abi Magamfar: If I may, the programs have raised \$1.6 billion in capital equity. And this does not -- by the way, the relocations that we discussed did not include the San José biocenter which is in Edenvale.

>> Mayor Reed: Thank you. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I think we were all sent an e-mail by Peter Ajaloni, who raised the question, and I just want to raise this publicly to make sure all the I's are dotted and the T's are crossed. I know that as came out in the second supplemental, we've renegotiated so that the landlord at 100 East Santa Clara would agree to pay for utility charges. That Mr. Ajaloni suggests the proposed lease does not include the necessary language that would obligate the landlord to pay for those charges as well as janitorial. I assume if that is the case, I don't know if that's true or not, that's being amended before we sign on the dotted line, is that right?

>> Abi Magamfar: As I indicated earlier, councilmember, the lease that is being finalized, under that term, the landlord will pay for tall the costs related to PG&E and janitorial services.

>> Councilmember Liccardo: Great, okay, I want to clarify that, thank you, Abi. I'd like to make a motion to approve.

>> Second.

>> Mayor Reed: We have a motion to approve. Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. I just wanted to support the motion and also disclose that my staff met with Tina Pham, who is the owner of the 100 East Santa Clara building. And then just briefly comment on this issue. I think what we have here is --

>> Mayor Reed: Can I just -- we are going to take public testimony. We're going to take public testimony. We have a lot of cards. If you want to speak you'll have to wait your turn. Sir, I'm going to have to ask you to be quiet or leave the room. It's your choice. Wait until it's your turn or leave the room. We're going to discuss this now, that's what we're doing. We'll take public testimony then we'll debate it some more. We have a motion on the floor. I'm sorry, Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. I just wanted to briefly comment that the economic methodology here is to consolidate leases and save the RDA money while boosting corporate growth in Downtown San Jose. Abi just pointed that out, the biocenter is a convert of smaller businesses and it's thriving in South San José. I think this is really a good opportunity for us to create something in Downtown San Jose. So I will be supporting the motion. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. My question is, does it have to be in Downtown San Jose? I mean, can we yield a better, even more significant saving if we move to, say, Edenvale hills or Evergreen where we have a lot of empty spaces?

>> Abi Magamfar: Council, since these programs were all initiated in downtown and in conversation with practically all the tenants, they like the environment downtown rather than being in an industrial area. They like the vibrancy of downtown being close to the services and amenities and services that the downtown environment provides.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor and as much as I'd love to see this down in Edenvale, I think that there certainly is an opportunity to create some synergy here with what we already have going on downtown with these individual centers and to create one place. Actually a bonus is it is close to City Hall which is an opportunity to work much more closely with some of these companies and help nurture them and make them successful. I think the fact that we're putting them in one place in the innovation center is certainly something that can again help just as the biocenter and just as other incubators and other programs we have help to market what we can do especially for emerging companies and newer companies, this will also offer I think even a greater opportunity than the individual sites by themselves.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. Courtesy of John Weis, I was able to take a tour of the center. And consequently, this coming Friday, I will be talking to a fellow from Talen, Estonia who is interested in bringing his company to this country. It is interesting how the thoughts proceed. I'm very excited about that, as is he. This is what we have to do, step outside the box, make the connections, make the dots work. I'm very proud of the fact that you have done what you could to bring the issues to line and there's more attention that can be given to the people that need that. Thank you for that.

>> Mayor Reed: I'd like to take the public testimony at this time. Please cox down and make sure you're close to the microphone when it's your turn. Patrick cook, Mi Phan, James Duran.

>> My name is Patrick cook. I'm the director of the Silicon Valley small business development center. We're currently an East center tenant. We've been very grateful for the redevelopment agency support over the last nine years. I just want to address the point about the location being downtown. We do see a lot of walk in traffic to the east center currently. This is very important that small business entrepreneurs who are looking for help, building and growing their businesses know that they can go to one location and get the services of multiple service providers. We would like to keep the services downtown. Thank you.

>> Mayor Reed: My Phan, James Duran, and then Juan Kada.

>> Thank you, Mayor Reed and councilmembers. I just wanted to introduce myself, my name is My Phan, I am the managing member of RSTP investment. This is pretty much is a family business. My mother is Tina Phan. She's sitting, standing right behind me. That's my mom, I'm very proud of her. I am a member of the Santa Clara Valley bar association, I'm the past president of the Vietnamese bar association. Currently I hold the position, chair of the American immigration lawyers association. I'm very proud of the work I do here in San José, I'm proud to have the opportunities presented to me and having said that, I live and work in San José and we're very excited to be -- to support the development -- the economic development of the Downtown San Jose area. If you have any questions, I'll be available for that. Thank you.

>> Mayor Reed: James Duran, Juan Kada, Olga and Cecil Smith.

>> Thank you. My name is James Duran. I'm the president of the Hispanic Chamber of Silicon Valley, the longest lived Hispanic chamber in the state of California. I want to thank you for your previous and continuing support of the e-center as we have been recently for the last few years an occupant of the center also. I understand the need to downsize with the budgetary issues that you have today. We have met with and appreciate the working relationship that we have established with RDA staff. Most recently with Abi and some of his key people. We support the request for lease approval and we look to your continuing support with the e-center and Hispanic chamber of commerce, hoping but have no guarantee

that we will have an office in the new location. Finally I want to say that I'm available to help advocate and meet with you, with whoever you designate, in this situation that you have with the State where it's taking your money, because I also represent the State Hispanic chamber of commerce in legislative activity. Although I'm a local business person. And I'm ready to go to bat for you guys to get the money that is rightfully yours. Thank you.

>> Mayor Reed: Juan Kada, Olga and Cecil Smith Paul Adjulani.

>> Good morning, mayor and city council members. You may recognize the name from our prior objections to the lease at 100 East Santa Clara. I'm here to speak in response to the supplemental prepared by Harry Mavrogenes, dated September 11th, '09. I'm actually here to oppose this motion in light of the financial problems or challenges facing the city. This supplemental has meant I guess to inform your decision making and I want to point out several oaks and several inaccuracies with that supplemental. First of all we did meet with the redevelopment agency oh on September 2nd. What was referred to as a negotiation, was clearly not that. When we asked is there a willingness to enter into negotiations, we were told flatly no. That is inaccuracy 1. Two, I want to highlight this seems to be flawed and moving selection criteria. Now we see in the latest supplement this idea of activating of a historic building. One wonders if there would be a third supplement. We find yet another criteria to support an already flawed decision. We're talking about activating historic building, I would advise to you walk the North First Street corridor and see what the status is of North First Street corridor just north of Santa Clara. I think most objectionable is the summary that there is no financial impact. In these utility savings we were the ones that highlighted when you were comparing apples and orange, a lease that is not full service to a full service lease. The specific inclusion of the utility bill and the janitorial is as a result of our oaks to the board and to the honored members here. This seems to be a rushed decision, and I want to say our decisions have wholly consistent with the prior decisions. I would ask for a no vote, failing that a instruction to city council.

>> Mayor Reed: Sorry your time is up.

>> Okay. Thank you.

>> Mayor Reed: Olga and Cecil Smith, Paul Ajulani, Benson.

>> Thank you for allowing me to speak. I speak as a woman minority business owners with personal chef and nutrients from rain forest of Peru, and also Macchu Pichu, Gallery of the Americas for over 25 years in downtown. As you know three years ago I was forced to close. But I found the Greater San José Hispanic Chamber of Commerce an entity that really resonates with small business and is the most unique and most active in the whole country, because we have traveled to Washington, D.C, and many places, economic summit promoting our city's products and services not only regionally, nationally, but globally and eventually more into the international market. Mayor and councilmembers, I come here before you to respectfully impress upon you that the closure of the existing physical facilities of the entrepreneur center now has been called entrepreneur officer and branded nationally, as it was the first center here in the nation and second was opened in another state of our country. It strikes at the very soul of San José as being the capitol of Silicon Valley. This center situated in the heart of San José is a truly national and international asset selling the goods and services throughout the world. This center has been the right of passage to many starting entrepreneurs from Silicon Valley. The loss of the concept of the e-center again goes beyond economics. It is a regional heart of San José that is being diminished. These centers should remain open. Upgraded and we the greater San José Hispanic chamber of commerce commit to seek out corporate sponsors to alleviate the economic burden that the city has been shouldering. We understand where you are going through. We are a small business. We employ ten people, 50 people, 100 people --

>> Mayor Reed: Sorry your time is up.

>> Thank you very much.

>> Mayor Reed: Paul Ajuloni, Omar Benson, Ken Snow.

>> Your Honor, before you put the clock on my time, I would like to apologize to you. I wasn't trying to be disrespectful. I was under the impression that you were ready to vote to approve or disapprove. And I thank you for your understanding. Now, you can put my clock on. It appears to me, as a real estate developer, investor, the party in charge of negotiating the lease was in a hurry, to execute the lease for whatever reason. The property, 100 East Santa Clara, was purchased on July 1st, 2009, deed in lieu of foreclosure, for the amount of \$4.18 million. Yet the building is not worth that much. The original lease was to start August 25th, with the terms that the city agreed to if they signed that lease. With us interjecting, the city has saved itself, I could say to you with almost \$1 million of electric and other

bills. What I'm asking for is, I don't want the water to be running underneath your feet from there. Is to postpone this thing 'til all of the elements have been exposed, and you can go back to that building. But in the meantime, you could negotiate a better deal. This is a class C building, you could negotiate a lower rent per square foot. Now, the memorandum that you received, that you saved \$1 million, the savings of that \$1 million was due to the square footage reduction. It had nothing to do with the amount of money that you're saving. You're paying per square foot the same. And you whoever negotiated that lease should go back and renegotiate on better terms. I have no ox to gouge. I don't get any benefit. The only benefit is my tax dollars and yours go in the right direction. I propose that you postpone this thing, until this thing is finished. And I thank you.

>> Mayor Reed: Ohmar Benson, Ken snow, Melinda Richter.

>> Thank you, Mayor Reed and members of the council. For those who don't know me I'm the director of the U.S. market access center, we work to help companies set up here in San José and to grow successfully. Despite the economy we've had a huge demand and increase in our services. It's great see companies coming from all over the world and setting up here and growing successfully. I just want to say that I think the new building will be a superb environment for our companies. I've talked to many of our companies and they're excited about it and I hope it gets approved that we get to move there. Thank you very much.

>> Mayor Reed: Ken Snow and Melinda Richter.

>> Mayor Reed, councilmembers, my name is Ken snow and I'm the chairman of Silicon Valley score. I appreciate the chance to talk to you and to thank the redevelopment agency for the strong support over the last eight years that I have been a SCORE member. The agency has been very generous by paying all the e-center rent, even in the face of mounting financial difficulty. SCORE is an all-volunteer organization, founded 45 years ago as an affiliate of the SBA. The SBA wanted to provide better business skills to go with their funding of guaranteed loans. Our mission is simply to help entrepreneurs be successful by providing free counseling and low-cost training. As Silicon Valley SCORE, our 50 active members will donate approximately 13,000 hours to provide face to face counseling and training for over 4,000 people this year, approximately half in training classes and half in counseling. The existing E-Center has about 8,000 usable square feet. When we move we will have only about 3500 square feet to house a modern classroom and a major E Center organization. Clearly, this will result in tight quarters for all of us. I think we can manage our training and counseling. But we'll have to eliminate all but two of our Internet work stations, and that the general public uses for business research and writing business plans. But frankly, our biggest concern is not the reduced space but the location. The major function of the East center is business training. We'll offer over 100 classes next year which 80% are presented in the evening and ending at 8:00 p.m. At least half of our attendees are women and we will have several female instructors. I'm not saying the location is unsafe but score has concern about the location in the evening and after classes. Police presence around the 7:30 to 8:30 p.m., at a time when our classes end. To summarize, we think the proposed consolidation makes abundant sense, we think additional steps should be taken to make the area look more attractive and acceptable for all our East Center clients. Thank you.

>> Mayor Reed: Melinda Richter.

>> Good afternoon, Mr. Mayor and councilmembers. It occurred to me today that we're going on six years that I've been working with you, to run the San José biocenter and to really serve the purpose of not only economic development, but advancing the industry to have societal impact. And I think we've been able to see not only regional impact but really industry and societal impact we've done. With great enthusiasm, I took over the environmental business cluster, from being the largest incubator servicing clean tech companies in the United States to indeed really fulfilling a global mission. With that I have a big vision for the environmental business cluster and look forward to sharing that with you in the future. And as a part of that moving to this new building to be in the same environment with other entrepreneurial centers is certainly a great stepping-stone to that great vision. And I think it is absolutely the right thing for us to do. As with all great businesses at this point in time, you look to deliver increasing value while looking how to minimize your bottom line and your expenses. And so we look forward to moving into this building and delivering value while cutting expenses. Thank you so much.

>> Mayor Reed: That concludes the public testimony. We'll bring it back now for additional council discussion. We do have a motion on the floor to approve. I want to take a moment just to thank the program directors for each of our incubators that have spoken here today. And thank them for the work that they've done over the years. Because we've seen a lot of companies that have come through our

incubator program graduate, move on and grow successfully in the economy. So they've done some great work. And we're now downsizing the space. We hope it doesn't downsize the programs and the vision because there's still great opportunities out there for our small companies. And we want to make sure that we continue to support them, notwithstanding the agency's budget difficulties. This is a substantial savings over what we've spent in the past, and that's important, and I appreciate their understanding that we have these fiscal issues we have to deal with. It's nothing personal or anything, but it is unfortunately reality of our budget situation that makes us downsize. Consolidation in itself I think will be helpful in management with San Jose State university's research foundation, that will help decrease some of the cost to them, as well. And hopefully, we'll get some synergy of these programs being co-located in this building. And so I'm going to support the motion. I know that staff has looked at other buildings and I would like to have the staff talk a little bit about the comparison that they did, this building particularly with the 2 North building that was mentioned here earlier. I know it's real estate, no two buildings are alike. Ultimately the building has to work for the purpose and the programs as we need them. It's not just about square footage and it's not just about dollars. I know you did look at the competing buildings. If you could just talk about that a little bit.

>> Abi Magamfar: Yes, thank you, Mr. Mayor. We actually in coordination with city's general services, looked at six different buildings for the downtown. The purpose for general services is at the time they were looking to find office space for relocation of the ESD from the former MLK on San Carlos Street. We used that analysis at that time to come to our conclusion. Let me begin with the four -- three buildings -- actually four buildings that we are currently leasing. The 2 North first Street floor plates are approximately 8100 square foot per floor. And currently we lease three floors that building, for the two program that operate out of there. In our vision for moving everybody to the same building, the location for entrepreneur center was critical, to be housed on the first floor, because of what you heard from Ken Snow and others in respect to their clientele that they serve. It is very difficult to get hundreds of people if not thousands in the area to take them to the upper floors of the building especially after 5:00 p.m. which most buildings get restricted access. In particular, the 2 North First Street building has indeed vacancy in the first floor but is not in configuration that could have helped us to accommodate the need for the e-center. As you heard in previous testimony, the training center is critical for operation and needs an environment that can seat 40 to 50 people in classroom style seating. The space that is available over at 2 North First Street could not accommodate that. It would be a very long and narrow training room that would not be practical for that kind of usage. The buildings at 111 North Market and 111 West St. John are much larger building, buildings, and their first floor availability was not feasible for the move over to East center from those locations. And our problems would have been divided in differently floors in co-existence of other tenants in the building. The building at 84 West Santa Clara where the East Center is currently located, one of the major problems with the East Center is, as Ken Snow said, about 8,000 square foot of the building is being used, the leased space. Yet we pay for rent on 16,450 square foot. So more than half of that space is not usable. And in order to change the configuration of that or anything for that we could have been done, would have added hundreds of thousands ever dollars to accommodate that. And yet, we would have had to use the upper floors and there was no contiguous space on upper floors. Additionally, we looked at the building at 152 North Third Street and one other building that I can't recall now.

>> Mayor Reed: One other thing that was brought to my attention when I was meeting with the Greater Hispanic Chamber of Commerce delegation that came to see me, and that's the importance of signage for the entrepreneur center, even though we're calling this the innovation center, the e-center or the entrepreneur center has its own identity, has people that know about it. Signage will be important. I don't know how the signage on this building lays out but we will need to pay attention to make sure it's quality signed. Because they are going to have to most people moving in and out, early morning, late at night, so signage will be critical to making sure people can find it.

>> Abi Magamfar: We have been working very closely, Planning Department staff, to determine signage for the building. It is our vision to call it the San Jose Innovation Center, and each tenant, each program will get separate signage on the building that identifies their location. As far as where and how, the size, those need to be determined after consultation with the Planning Department.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, Mayor Reed. I'll be supporting the motion. I just want to mention that the benefits of the incubator have been pretty good. And I experienced them myself, having worked for a company called Agile Software, which was a graduate of the software incubator. And what

happened there was, they had good success, they stayed local, they leased a lot of commercial office space. Then they got a point where they were too large and because they were so saturated and connected with San José, they moved to Edenvale. And if that wasn't there and they would be in the normal startup land, then I wouldn't be sure if they would be in our downtown or Edenvale. Not everyone was a home run, so that was good and I'll look forward to others, thanks.

>> Mayor Reed: We have a motion to approve this matter as staff has recommended. Any further discussion? All in favor? Opposed? None opposed? That's approved. That concludes the redevelopment agency portion of the agenda. We'll now take up the City of San José portion of the agenda. We'll take a minute for the staff to change positions. And then we will start with the City Council consent calendar. On the consent calendar, are there requests to pull items off the consent calendar? I have requests to speak on item 2.5 and 2.6. We have a motion to approve the balance of the consent calendar. All in favor? Opposed? None opposed? Those are approved. Item 2.5. Mr. Wall, you wanted to speak on this one.

>> David Wall: First of all, good afternoon, and it's good to see every single one of you. Item 2.5, the reason I'm speaking today is it's a point where you could use innovation. Innovation insofar as putting all public art moneys as a function of amending this resolution, the language therein, to put this money in an escrow account and to keep it from the Office of Economic Development from eating up any portion of it for administrative costs. In other words, this escrow account could be utilized for grants, grants could be from the creation and restoration of public murals. My I say that Watsonville and Castroville eclipse the city's public art program for orders of magnitude. The artists then could be locally hired from either San Jose State, junior colleges, or specifically, public schools. But let us not negate the contributions from other artists that are -- that live here in our community. I'm opposed basically for the use of this money from these outside special interest art groups. And especially, for salaries and highly benefited employees of the Office of Economic Development. Thank you.

>> Mayor Reed: That's all the testimony on this. Councilmember Liccardo, did you have a question?

>> Councilmember Liccardo: Thank you, mayor. No, I'll -- I'd like to make a motion to approve but then I also had a comment.

>> Second.

>> Mayor Reed: Okay, we have a motion to approve.

>> Councilmember Liccardo: Roma Dawson on my team had some conversations with Barbara, I understand her responses, I understand her restrictions on how these moneys can be moved around. I'm hopeful over the coming years, particularly knowing how much capital work we have to be done over the WPCP, and other major environmental projects. We can look at ways to maybe pull the funds together to really identify locations in the city where we can move all the money, not all the money of course but to be more strategic about it rather than simply putting the public art where the money happens to be spent that day, knowing that there are some parts of the city that are going to be where, for instance, and I'll just use an example that we encountered yesterday as a hearing, we're looking for ways to attract people to use our recycled waste facility for hazardous waste over at Las Plumas, it's near the 101 freeway, being able to identify other pots of money where we could create something iconic that could really attract people from 101 to use that hazardous waste dropoff could generate enormous benefit. So I hope we look for those opportunities over the coming years.

>> Mayor Reed: Anyone else? I think not. We have a motion to approve. All in favor, opposed, none opposed, that's approved. Item 2.6, amendments to city positions to create variation classifications. Kathy Brandhorst.

>> My name is the Kathy Brandshorst, Lisa Marie Presley, Jonbenet Ramsey, John Steele, and I'm also the United States president. I just wanted to bring up, you know, some of the problems, City of San José pay plan. Stealing jobs has been a big issue, stealing payroll checks, out of the jobs. Especially with United States born. And I'm going to go into the saving bonds, bail bonds, for prisoners, jails, prisons, and escapes.

>> Mayor Reed: Ms. Brandhorst, this is on a different topic, wait until the public forum which comes up later.

>> Okay, then I will wait. Thank you.

>> Mayor Reed: We will be talking about bail bonds tonight. That concludes item 2.6. Is there a motion? Motion is to approve item 2.6. All in favor, opposed, none opposed that's approve. Item 3.1. Report of the City Manager.

>> Norberto Duenās: Mr. Mayor, members of the city council, Norberto Duenās sitting in for City Manager Figone. I did want to give the city council a brief update on the administration's follow up work on the retirement board's recommendations contained in the Cortex consultants report. As directed by city council at the end of August we held two stakeholder meetings which were very well attended. We received considerable feedback at those meetings on the proposal on the governance structure. And staff is following up on the questions and suggestions we heard from the many interested stakeholders. We had anticipated returning to the city council later this month, or in early October. However, the follow-up work associated with the input from the two stakeholders, two stakeholder meetings will delay our return. So we will not be coming to the city council at the end of this month. We are working -- or at the beginning of October. We are working on an information memo with more details, including an update on the time line for the report to come back to council, which we hope to have out by the end of this week or early next week. That concludes my report.

>> Mayor Reed: Our next item is 3.6, the 2009 league of California cities resolutions that are in front of the league this week. We have recommendations from staff on positions. Motion is to approve the staff recommendations. All in favor, opposed, none opposed, those are approved. Item 4.1, report of community and economic development committee for August 24th. Councilmember Pyle chairs that committee.

>> Councilmember Pyle: Thank you, mayor. I'd like to take an opportunity at this time to brag about the economic development committee. Because I did ask for updates on what they were doing. And frankly, I've been kind of blown away. I don't know how there's enough time in the day to accomplish some of those things. But I'll give you a quick summary. First of all, there are ten companies in San José that the economic development committee has -- not committee, team has been working on. Anywhere from and I'll just mention just a few. Harmonic right speed, V electric, Envia, soy tomorrow, Terranetics, reliant, and Econetics it will Toshiba for example is one of another staff they have been working with for consolidation of their Fremont and Sunnyvale locations to a 50,000 foot building on North First Street, that -- this is absolutely the greatest news for all of us. There are many more that are being worked on as far as changing locations, but it's good to know too that the City was awarded \$2,700,463 under the American Recovery and Reinvestment Act in 2009, which includes a million for the purposes of the clean tech careers fund. This is money which is very welcome, gives us cost for three companies that meet the intent of ARRA by creating jobs and promoting economic recovery in the City of San José. These companies and their proposed projects will result in the creation of up to 60 new jobs. Additionally, sponsored by Congressman Honda, we received a grant from SBA of \$245,643 to support BOS. The grant will allow us to enhance the Website, develop new small business tools, and conduct additional outreach events and research. Which translates to the Website and outreach materials. The downtown coordinator as you know, little sacrifice here, in partnership with the police department, will be providing ABC server trainings for downtown entertainment venues. This was recommended by the hospitality zone assessment report and the new police deployment model. The training will focus on overserving, age verification and bottle service, and the City did receive a grant for \$85,000 to facilitate that training. And I'll just go for one more, because this is one I know everybody is going to love. And that is Cirque du Soleil, which will be coming soon. The Office of Cultural Affairs is leading the interdepartmental team to implement the production of Cirque's new show, Ovo, which is scheduled for 60 performances from February 4th to March 21st. The expected attendance is 2555 people per performance. It will draw attendees from the Bay Area communities and serves multigenerational San José residents with cultural experience. In addition to the related T.O.T. and the sales tax the 2008 net revenue from operations with -- parking operations with \$47,000, so a lot of these do bring in moneys that we desperately need as well. So the more we can do with that, the better. Thank you for a good job.

>> Mayor Reed: Did we get a motion to approve the report?

>> Councilmember Pyle: Oh, absolutely.

>> Mayor Reed: We did.

>> Councilmember Pyle: That didn't come from me, I guess.

>> Second.

>> Mayor Reed: We got a second, okay. Motion to approve the report without editorial comments from other councilmembers. Good job. Councilmember Oliverio.

>> Councilmember Oliverio: Real quick question for Paul Krutko. Paul, when you're talking about recruiting companies from other cities to San José, I assume there's a little bit of stealthiness that needs to be done?

>> Councilmember Pyle: Skulking?

>> Councilmember Oliverio: Stealthiness, stealth, stealth.

>> Paul Krutko: Thank you, Councilmember. The material that we provided at Chairman Pyle's request is really of projects that are already past the point of needing to be stealthy. So these are things that we -- the things in the stealthy category we're not providing.

>> Mayor Reed: Actually, Paul did provide them, you just can't see them. In fact, he had them in his hand, he's really good there, stealth mode. All right, we have a motion to approve. All in favor, opposed, that's approved. Item 4.3, new construction, second major loan program funding increase. We have a motion to approve. Vice Mayor Chirco.

>> Councilmember Chirco: Yes, I have a question for Leslye. If this is increasing the second mortgage loan commitment appropriation, and this is to assist with purchase for low and moderate income of new developments, and so my question is could this money have been used for rehab or is this restricted money that could only be used for new housing?

>> Leslye Krutko: Councilmember Chirco, what this is is not money that could be used for only new housing. Some time ago the council approved a program that was intended to help -- to respond to the economic crisis that hit us about a year ago. And we had a number of new projects, largely around the downtown but some in other areas, we had one in district 1 for example that had just come online and were ready to sell, but could not find buyers. So we developed a program that provided second mortgage assistance to help those projects move forward. That project was very successful, in May we went forward to council again, and we made a change to that program to allow all of these developers to apply, any developer of new product to apply for those funds. Within about five weeks all of the funds had been spent, and we overspent. So unfortunately, we have people in contract now that we would like to be able to go forward and fund those projects. And we will be taking the money, however, from another for-sale, another home ownership program, not from rehab. But it's not restricted money for that purpose.

>> Councilmember Chirco: Yeah. And I read -- my office and I read the memo. And one of my concerns is maintenance of our housing stock. And I know so much of the money is restricted as to purpose. So when there's unrestricted money, it's always a concern that we're maintaining our existing housing stock and we're not losing housing off the older end. I know in my district we have seniors that are low and moderate income, and they can't afford to replace roofs or repair bathrooms or redo windows. And I always want to be thoughtful and ask questions when we're using unrestricted dollars for new construction, because our rehab moneys are so limited, and in addition to that, not only are they limited, they're restricted to areas. So just to raise the question and heighten the council's awareness. I know I've talked to you about the condition of our housing and you have said that so much of our housing is from the '50s and '60s and construction has modified so we're finding that our housing is deteriorating probably faster than the '30s and '40s.

>> Leslye Krutko: We certainly agree and are looking to all available rehab sources to do that. So we have been able to access state funds and federal funds for that purpose, but we could use more. You're certain right.

>> Councilmember Chirco: Yes, so always to be aware, thank you, Leslye.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Leslye, I think this is a great program. I just had one question, about our potential exposure for potential loan default. What would be the City's potential exposure?

>> Leslye Krutko: Actually, we have been very, very lucky in this market for the number of foreclosures that a lot of the lenders have seen. So far in our loan portfolio of all of our rehab loans and our first time home buyer loans that span 20 years, we have only three foreclosures. We have lost only \$100,000, we recently reported that to council. So some of what we do that's different is, that we do income-qualify everybody. We look at their finances and their ability to pay. Whereas a lot of the loans that are in trouble are those that did not do that. They did not require a lot of documentation. We don't do no-documentation loans and we're also very careful about what the first loan is, to make sure that we're not putting the city loan in a position of default at a later time. So it's a good question, something we need to be constantly aware of.

>> Councilmember Herrera: Thank you, that's very reassuring.

>> Mayor Reed: I have a request from the public to speak on this. David Wall.

>> David Wall: As you can see, Mr. Mayor, before I get started, there are several items that I've listed on that card. But for environmental purposes I only listed one card with you, for the record, okay? I object at

this primarily because this is an admonition or a declaration per se of substandard management. We have just heard that they've overspent from one fund and want to compensate from another fun. As a matter of fact, that's what's stated here on this agenda. I would think that this council would take umbrage at this form management thought process, and budgetary allocations, and take the necessary administrative remedy to be reflected in performance-based pay for the director and associated people associated with this decision. Thank you.

>> Mayor Reed: That includes the public testimony. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just wanted to clarify one issue just raised by Mr. Wall. Leslye, my understanding is both the money we've been using and the money we're moving are from fund 143, is that correct?

>> Leslye Krutko: That's correct.

>> Councilmember Liccardo: Both these annoyance are basically from low and moderate income housing?

>> Leslye Krutko: That's correct.

>> Councilmember Liccardo: The fact that we had such an incredibly popular response to the program, we find ourselves in a position where we may be -- I don't want to say over subscribed, but basically, we had a lot more customers than we had money and therefore we're aiding that fund.

>> Leslye Krutko: That's right. Actually it's good news because we're able to house more low and moderate income home buyers in our program. So it's good news.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: I don't know whether we have a motion or not. We do have a motion. Okay, motion is to approve. All in favor? Opposed? None opposed, that's approved. Item 4.4 is a neighborhood stabilization program contract. We have a motion to approve that. I have a request from Mr. Wall to speak.

>> David Wall: Personally, I'm opposed to all stimulus money to be used for these purposes. Primarily because this is federal debt money that's being used to give a false sense of prosperity. The beneficiaries of these are, obviously, special interest groups. And of course the people that receive this housing, highly paid administrators. But this also goes to the overall issue of housing in general be it new or rehab or whatever, you don't have the water supply, to sustain continued housing growth. You have a city budget looming for next year, which means you have long term management costs. And what these projects will do to established neighborhoods or new neighborhoods, insofar as the increase in crime, blight, congestion, and when one takes into consideration as well, overall conversation, what is the overall inventory of vacant RDA housing that is on the market? Thank you.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve. All in favor? Opposed? None opposed, that's approved. Next item is item 4.5, administration of the homeless prevention and rapid rehousing program. We have a motion to approve. Mr. Wall, you want to speak.

>> David Wall: I am also concerned, not that homeless people should live on the river where I walk and take active inventories of their suffering. Unlike city-sponsored and paid housing administrators, they don't walk in these areas, which is understandable, without police guard, and the ability to navigate certain portion of the Guadalupe River. I draw umbrage particularly what is not discussed and that is insofar as the City's dispersion policy and how these housing projects will be dispersed into existing neighborhoods. This has good aspects to it. It's not all poor people are bad. But it has a lot of negative aspects to it. Crime, blight, depreciation of property values are just a few. But I just want to take this into note, about the dispersion policy and how it should be discussed more openly.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve. All in favor? Opposed? None opposed, that's approved. Item 4.6, understand that we need to have something added to the record here. This is acceptance of the begin program grants for new developments.

>> Leslye Krutko: Thank you, mayor, yes, Leslye Krutko, director of housing. In the memo to the council, we did mention concerns about the State budget. And I would like to give an update. On August 31st, we did receive clarification in the change for the disbursement policy for these begin awards. We now have a first in, first out policy. And because the projects that received these moneys are really ready to go and ready to spend the money, we have received some assurances that we will receive all the funding that we have -- that we're receiving today. So we do expect that we will spend much of these funds before the end of this calendar year. And we will immediately request reimbursement from the state.

>> Mayor Reed: What happens if the state doesn't reimburse us?

>> Leslye Krutko: That's what we're worried about but we are now assured that they have the funds to reimburse us through the end of this year. We'll be careful, I mean, we will continue to monitor and make

sure we don't spend funds that won't be reimbursed. But they have taken away what was before a conditional commitment. And it is now a commitment of funds.

>> Mayor Reed: Can the state legislature reach the funding before we get to it?

>> Leslye Krutko: These are bond funds that have been already allocated. The state as I understand it is going out later this month with another borrowing and will follow that with a borrowing for housing funds in October. But they do have money existing for this program now.

>> Mayor Reed: Okay, it's not dependent upon the committee that gets together to decide, we can't borrow because we can't pay our bills?

>> Leslye Krutko: That's correct, it's not a new borrowing, it's existing funds.

>> Mayor Reed: Okay, thank you. I have some requests to speak, on this item. Mr. Wall and then Tolly Robinson.

>> David Wall: The housing department is to be given accolades for their activities in this arena. There are some questions, though, as to the profitability aspects, on first of all, who gets the opportunity to buy these homes, and the conditions set forth therein as to whether they can flip them for personal profit within any period of time. The housing department is also to be given accolade, for checking the financial status of the individuals prior to their application to the program. This is very noteworthy. However, this economy is collapsing. It is not getting any better. One has to look at the Mercury News local page. Notice of defaults have been running all over the place. Your sales tax revenue is also collapsing, which is all tied into the collapse of your General Fund, which is indicated by the inability for long term maintenance of these projects, be it code enforcement, police, or what have you, city services. And let us not overlook the underlying aspect to all these housing projects in general. Not to show any disrespect to anybody here in this room. A chronic loss of water supply. It is not replaceable and it is a material issue for the quality of life in this city. Thank you very much for your attention.

>> Mayor Reed: Tolly Robinson.

>> Good afternoon, Mr. Mayor and councilmembers. I'm Tolly Robinson, I'm a forward planner with KB Homes. I'm representing the Monte Vista community. The BEGIN program and its funds are extremely important to multiple first time buyers at Monte Vista who are current in escrow. And as Leslye stated, these are people that are ready to go and they are relying on these funds. As you know, these are extremely challenging times for those who wish to buy a home and KB has taken many steps to help buyers realize the dream of home ownership. The begin funds are a necessary tool. Please allow the housing director to accept the HCD grants and fund the down payment assistance program at Monte Vista. Thank you.

>> Mayor Reed: This concludes the public testimony and this, we do need a motion. Motion is to approve by Councilmember Nguyen. All in favor? Opposed? None opposed, that's approved. Item 4.7 is the last item on the afternoon agenda before open forum. That's a public hearing on the consolidated annual performance evaluation and report. Leslye Krutko, do you have anything to add?

>> Leslye Krutko: No comments but I'm available for any questions.

>> Mayor Reed: We have a motion to approve. Vice Mayor Chirco.

>> Councilmember Chirco: Leslye, I had a couple of questions. I know you and I have spoke about this, and my concern about our housing stock. On page 45, it talks about advocacy changes in federal law to improve San José's position applying for scarce public dollars. Can you talk about our advocacy on this issue at the federal level?

>> Leslye Krutko: Yes, councilmember, there is a number of things that we are doing. We are very concerned that San José as a high-cost area is disadvantaged in applying for federal funds. We have been working with our federal lobbyist in trying respond to specific programs that right now are not very helpful to San José. Especially as new programs come out like the national housing trust fund which is expected, we're hoping will actually become reality this year. We need to make sure that once those funds become available, that they can work for San José. We're also concerned about other things right now. We find it surprising, but we're not considered a difficult-to-develop area. And that is a disadvantage for us in receipt of federal tax credits. It gives us a smaller amount of tax credits than other areas that are considered difficult to develop. So that's something that we've been working on for some time to make sure that San José gets back what is called its DDA status. There are a number of things we're doing looking at those kinds of programs and making sure that San José can access them. Now we have positive steps here, because we do have a number of California representatives who are working in the U.S. Department of Housing and urban development, including one of our old friends, Carol Galante, who is the executive director, was the prior executive director of Bridge Housing and also Mercedes

Marquez who is the director of housing for the City of Los Angeles. Both of them I think are really critical to us in trying to shape some of these programs and respond to what it is we need to do here.

>> Councilmember Chirco: I know another thing we have talked about, and it is referenced on your page 45 poverty level and which I think is part and parcel of the difficult to develop, where -- and could you talk about if anything's happening at the -- at the federal level on this. I know that affects more than just our housing but it also affects other federally funded programs such as head start programs.

>> Leslye Krutko: That's correct. Because many of this programs, these national poverty numbers which, in San José, you have to be at extremely low income to be considered that. That's -- we have an effort, and maybe that's something we can report back to council on, in a little more depth, either at the committee level or back to the council itself, on what we're doing locally with poverty as well as what's happening on the poverty level. There are some attempts to change the poverty level, however not as strong as we would like to see. It is raising the poverty level slightly but not as greatly as we would like to see.

>> Councilmember Chirco: I would encourage us to look at partners, whether it be school districts, because they're also affected 50 federal poverty level and I know that pact has worked on this issue. One more question, it has to do with the rehab of existing housing stock. We do have groups that work on existing housing, do we have the chance to partner with groups that do this type of work?

>> Leslye Krutko: Absolutely, we have partnerships with various different groups. So we work with youth build and right now, the -- I'm forgetting the name of Christmas in April, what it's been changed to.

>> Councilmember Chirco: Rebuilding together.

>> Leslye Krutko: Rebuilding together, we're working with rebuilding together. And a beautiful day, other groups that are working to rehab.

>> Councilmember Chirco: It's become kind of one of my -- because in my district that's a very serious issue. Is deteriorating housing stock. Because I think all of most of district 9 was built in the '50s and '60s. We have a lot of low to moderate income seniors living in single family homes, and they can't afford to replace bathroom floors, windows, and termite inhabited patios, so -- and I know I'm just representative of the rest of the city. So thank you very much, Leslye. I will be supporting the motion.

>> Mayor Reed: I think we don't have a motion yet. We do have a motion. Clerk says we have a motion then we have a motion. Any other comments on the motion? Motion is to approve. All in favor? Opposed, none opposed, that's approved. That's the last item of are business before the open forum. We'll take public comments now under open forum. Gary Lo Picolo, Kathy Brandhorst, Ross Signorino.

>> I'm here for you -- excuse me I'm here before you today to discuss a bill I received for a dog license. When I called the agency to discuss this, for clarification and questioning of the fee, I was quite flippantly told, "talk to city council." I don't think she thought I would do it. I don't know what I'm going to achieve by doing it to be honest with you. The way this bill works is, I am a responsible dog other than. I took the time to get a rabies shot, to have my dog spayed, and because I took the time and paid the money to get my dog a rabies shot, it goes into the record that my dog has had its shot. And because it now is entered into the record, I get a bill. I'm already out of compliance on this bill. So this bill is for \$35. And there is also a fee on this bill for \$100 if I don't have a license, and I don't know, I'm walking the dog and somebody complains. I can be given a bill for, now, \$100. So I am a responsible, reasonable owner, I've taken the time to get a rabies shot, to have my dog fixed, I have a chip in my dog, and the dog wears a collar, with my name and phone number on it. All those things are more than that is offered by me paying for a dog license. If the money for this license goes for some animal services, there's better ways of doing it. Charge an additional \$2.50 whenever somebody gets a rabies shot for their dog. Charge an extra \$5 when somebody gets their dog spayed or neutered. You'll make more money because everyone who has that done will now pay the fee and I will not walk arounds being a criminal being afraid I'm going to get a \$100 billion or get a \$100 fine. I understand that this comes up, these fees come up for renewal or discussion in June or something like that. How do I get involved with that discussion? I think my ideas are more viable. I'm sure they'll make the city more money.

>> Mayor Reed: Your time is up but if you will wait just a few minutes after the meeting, you can talk to Norberto Duenás and he'll clue you in to the time and place for those discussions.

>> Thank you.

>> Mayor Reed: Kathy Branhorst.

>> My name is Kathy Branhorst, Lisa Marie Presley, Jonbenet Ramsey, and John Steele. I want to let you know, President Obama is in the area and he is a contaminator. From Sioux falls, South Dakota, his name is Jerry Seinfeld, he was fired from television for having sex. He can't get a job anywhere, he is now

trying to -- I guess he lives at little orchard, where I live. And the problem still exists that he needs a place to live. So does everybody in little orchard on death row. And I just want owed to point it out, because little orchard, the main problem is, death row. And we are homeless, and we sleep in front of church. And the police ask us to leave. And our food stamps can only last so long, and we are hungry, we are thirsty, we need help. We cannot survive on nothing. Also, I wanted to let you know, there are 250 to a thousand of us that are sleeping outside, and we do need your assistance because we do get cold. And I just wanted to let you know, I gave two rare coins to the church --

>> Mayor Reed: Sorry, your time is up.

>> All right, thank you.

>> Mayor Reed: Ross Signorino.

>> Ross Signorino: Thank you, Mr. Mayor, members of the council. I hope I'm not the bearer of bad news right now. On the news, I heard there was the bond raising for the airport, our airport has gone down to A minus, now with all the new construction that's going on at the airport and so on, I just wonder if this bond rating would affect the payments on the bonds that we have out there already, to redo the airport. I hope it don't. But with airlines cutting back on their flights and so on, and even this summer, with the airlines being filled completely with riders on the airplane, there's still the airlines, we lost money. So I hope this is not real bad news but you might as well, I don't know if you know bit but I think you're going to have to adjust to this, the fact that the bond rating has gone down on the airport, and maybe, I'm sure you'll have to think about during the -- that during the budget discussion. Thank you.

>> Mayor Reed: That concludes the open forum, that concludes our agenda for this afternoon. We'll reconvene at 7:00 p.m. City of San José city council meeting. Evening session.

>> Mayor Reed: Good evening. We're going to call the San José city council meeting back into session. We have a few things left on our agenda for this evening. But we did manage to get almost everything off of the afternoon calendar done, just one minor little thing on the ordinance regarding bail bonds, so that will just take a little while after the land use items. But we will start with our ceremonial item for the evening. So I'd like to invite Councilmember Chirco and the the D 9 stars, friends of the Cambrian library Susan Abele acknowledge presidential, Lou McKellar, Misti Navarro and Kerry Boomsliter down to the podium. Well, once again we're talking about D9 stars. It's a great constellation of stars tonight, and I'm going to let Councilmember Chirco describe them.

>> Councilmember Chirco: I'm excited to recognize the people that are behind me, Misti Navarro, and Kerry Boomsliter, Lou McKellar, and the friends of the Cambrian Library. Over the years through service on the Cambrian School Board and now on the San José City council, community members have shared their stories about the talents and heroes in the Cambrian Park and surrounding area. These stars and their stories fueled my decision to serve public office. Work play and learn in district 9. I feel they are doubly honored since they are nominated by their fellow community members. The intent is to learn more about the extraordinary students, teachers, employees, employers, athletes, musicians, activists, parents who add courage to our community. Compassion and comfort to all of our citizens. I look forward to honoring more D9 stars throughout the year. I'm proud to recognize these volunteers as stars that make District 9 shine so brightly. I would like to ask the friends, co-workers and friends of misti Navarro, and Kerry boomsliter, to stand. If they're not already down here. You are the reason we're honoring them, not to mention their hard work. Misty Navarro and Kerry boomsliter, the ones behind me, are responsible for raising thousands of dollars. Can I interest you in the city's fund problem? Shared the largest fund raiser at union middle school it will the union blast, you can work in a little fundraising for San José. And the performing arts program. Her husband Kerry is right there beside her, spending the weekend organizing events, cleaning school storage facility or hosting their annual neighborhood Halloween party. They both do it with a smile an amazing sense of humor and enthusiasm. They were joined by Sheila billings, thank you Sheila, and a wholehearted second from everyone in the union school district. Congratulations Misti and Kerry of being D9 stars. I'd like the Mayor to present to Misti and Kerry the commendation for all their hard work. Now, there's one commendation that we don't make them share: The chocolate stars.

>> That's good.

>> Councilmember Chirco: A big round of applause to misti and Kerry. A thanks to union school district for nominating these D9 stars. The next is going to Lou McKellar. Accepting on his behalf is Meg who is being stood in for by Jane Light, our head librarian, who will be accepting on his behalf. So I'd like to ask the mayor to present to Jane Light a commendation for Lou McKellar. And we'll get a chocolate star to him because it's just extra-sweet being a D9 star. He'll never see it. A little bit about Mr. McKellar. He is a volunteer with the free to succeed program at Pearl Avenue Library, and he has assisted hundreds of job

seekers with their resumes while at the same time conducting his own job search. A common story we mind our valley. A few months ago, he found a job. Unfortunately it means he had to relocate to Portland. He can be found on youtube promoting the free to succeed, we would like to congratulate Lou McKellar for being a D9 star, and achieve what he was helping others to achieve, a new job. I'd like to give a round of applause to Lou, in his absence we'll let him know that we are greatly appreciative. And I would like to ask any friends, co-workers, family to stand as we recognize friends of the Cambrian library as D9 stars. You have to stand. And accepting the award for the friends of the Cambrian library is Susan Abele. Pair if I could ask you, every library in San José is proud to have a friends group. I'm proud to recognize the incredible group of 60 plus friends at the Cambrian branch, they raise money at their lobby and occasional book sales, not only does it allow the library to purchase books at a minimal cost, it provides funds for all the extras that continue to make the library an exciting place phenomenon our community. They generously sponsor special programs such as puppet shows and author visits. So far in 2009 they have sponsored 26 special events including refreshments. And our community thanks you. These supporters are a great support for the library and the entire community. These friends were nominated by Hannah Slocum. There is the big smile of a recent retiree. With a hearty second by Carol de Silva. Another big smile, Cambrian's current head librarian, and welcome to Cambrian. Congratulations ladies on being a D 9 star. Just because being a D9 star is being extra sweet, we have for you and you -- wait a minute, we almost had a chocolate crisis. So a big round of applause for all of our friends of the libraries. So thank you all so much. And keep up the great work. Make San José the wonderful place it is.

>> Mayor Reed: New going to take up our land use agenda items. First is the public hearings on consent calendar. Any items on consent calendar council wishes to pull for discussion? Councilmember Liccardo.

>> Councilmember Liccardo: I'm sorry, mayor, I just wanted to pull 11.1C.

>> Mayor Reed: 11.1C. Motion to approve the balance of the consent calendar. All in favor, opposed none opposed, that's approved. Councilmember Liccardo, 11.1C which is an ordinance regarding property St. John's Street and north 4th Street.

>> Councilmember Liccardo: Thank you, mayor. I believe Anna Scott is here with the developer, Affirmed Housing. And I submitted quite belatedly a memorandum with two recommendations relating to alternative approaches for transportation and parking given the fact this is a very high density site, about 300 units to the acre, little more than that. So we're looking at creative alternatives relating to onsite car sharing, ecopass programs, parking management leases with the city to share parking, and really this has been borne out of the work of city staff, Joe Horwedel and his staff and the folks over at affirmed housing, I'm so grateful that they have come up with a creative solution which is a very difficult, tight site, and a high density product, but one which is very near to a key transit corridor. So with that I'd just like to make a motion that would include the two recommendations in my memorandum dated September 15th.

>> Second.

>> Mayor Reed: We have a motion to approve staff's recommendation with the two additions. I have a card from Anna Scott who says she only wants to speak if there's opposition or answer questions. I don't think there's any opposition but give her a chance, going to pass on that. Have no other requests to speak. We have a motion to approve. All in favor, opposed, none opposed, that's approved. That includes the consent calendar. We'll take up 11.2, rezoning property on the southeast corner of East Mission Street and North 10th Street. Motion by Councilmember Liccardo to approve. All in favor? Opposed? None opposed, that's approved. I have some cards on 11.3 and 11.4 and I need to sort out the order in which we ought to take this. We also have a protest on this, so you I need to give staff a chance to sort out the process, procedures and the options here. So --

>> Joe Horwedel: Thank you, Mr. Mayor, Joe Horwedel director of Planning, Building, and Code Enforcement. There's actually two layers to the conversation that I wanted to start these items with. First that the prezonings are covering areas that are subject to the county pocket annexation program. And then we have three of these on the council agenda tonight that are year 3 into this process. We have about 14 of the pockets that we're working through. As the mayor will remember, the county of Santa Clara feel that urban developed areas really belong in the cities so we are bringing forward these prezonings for the annexations. As it relates to the items 11.4, let's see, the SRO proposal tonight. We do have a zoning protest that was filed on the proposed rezoning. That zoning protest was at over 90%. So it is a valid protest under the municipal code. It does require a supermajority or two-thirds vote by the city council to approve the item. Staff is recommending that the council take the testimony on the proposed

rezoning, and on the zoning protest, concurrently. The issues in reading through the protest that were filed are very similar. In your packet we provided a supplemental memo, provided a copy of each of the protests explained the percentages that it is a valid protest so that we would ask the council to conduct in one hearing. If the council is inclined to approve the proposed rezoning for SRO, staff would ask that the item be deferred for a week, so that we could go and separately schedule the zoning protest. Because the zoning protest came in late last week, we missed the deadline for the 72-hour Brown Act requirements for separately noticing on the agenda that item. So that is dependent on the wish of the council of approval, deferral or denial of that proposed rezoning, would be the path that we'll advise you on as we go through the process tonight.

>> Mayor Reed: Okay, I have cards to speak on 11.4, I got about a dozen of them so we'll need to do public testimony in a minute. But I want to check with the City Attorney in terms of the order in which we take these things up. 11.3 and 11.4, should we take up 11.4 first?

>> City Attorney Doyle: I think it's probably a good idea. I mean that's your call, as chair. But I think 11.4 probably is better to take first. I do want to reiterate that the majority protest hearing is not to be heard tonight because it hasn't been noticed under the Brown Act. That being said, if the council wishes to deny the proposed ordinance, then that would render the majority protest moot and you can move forward with that, and the municipal code specifically allows for that. It's only in the event you want to retain the protest and somebody wants to override the protest, that is when the two-thirds vote is required, and that would have to be separately notice and as the planning director said, probably concurrently with the other action as well.

>> Mayor Reed: Any questions from council? If not, we'll take up item 11.4, that's rezoning of real property on the east side of Sunol Street. Is there staff presentation on this beyond what you've already done?

>> Joe Horwedel: Staff's concluded our presentation, sorry.

>> Mayor Reed: On the item?

>> Joe Horwedel: Core development is the applicant for the project. Chris Neil is here.

>> Mayor Reed: Okay, good. I do have a card from him. Councilmember Oliverio.

>> Councilmember Oliverio: I believe proceeding mayor typically the applicant starts, then the public, then I'll go back thank you.

>> Mayor Reed: We allow the applicant five minutes to make a presentation then we'll take testimony then council debate. Let's start with the applicant, Chris Neil is here.

>> Chris Neil with core. I'm the applicant. Mr. Mayor, councilmembers, I find myself in a very unique territory today in front of you tonight. What would I like to do is request for a deferral of items 11.3 and 11.4, for a minimum of one week. The reason for that is, we are very pleased with the hard work of securing staff support for the project. And Planning Commission approval for the project last week. But there were a lot of protests at the meeting. Since the meeting last Wednesday we've had some ongoing conversations and identified some opportunities to make further improvement of resolving some of the outstanding items. For example, today I met with the superintendent, and their legal representative, to discuss the items that they had protest against the project and I think we've come up with a framework of the items of how we could go forward with having a mutually agreed upon mitigation to resolve their issues. And I think address their protests, and the superintendent is here tonight to reiterate that statement. We also met with many, many stakeholders that spoke out against the project. We had spoke with a few of them. I think in that dialogue we've identified some particular proponents of the project that we think we could identify, and adjust to try to improve the project, and address many of the concerns. A significant concern that really became highlighted at the Planning Commission hearing and after was about the commercial on West San Los. We had some dialogue with two of the sake holders last night, had some good ideas and would like the opportunity to continue those discussions to try to see if we could resolve more of those issues as we come forward to council for approval of the project. So for those reasons, to continue in a process, I would like to request deferral of items 11.3 and 11.4 for at least a week. Thank you.

>> Mayor Reed: Okay. You still have a little bit of time left. We can come back to you after the public testimony if you have anything to add.

>> Okay, thank you.

>> Mayor Reed: All right, let's take the public testimony at this time. Please come on down when I call your name so you're close to the microphone when it's your turn. And if I misspeak your name it's because I can't read your handwriting. Maybe you don't write well, or maybe I don't read well but I'm going

to blame it on that. Dan fortune. Mary fortune. Sam Blackford. Please come on down. We allow two minutes for each speaker.

>> Good evening, mayor, and members of the city council. My name is Dan fortune. I'm here to speak on behalf of George and Eidele fortune, they're my parents. They're good San José citizens for 46 years. 757 and 805 West San Carlos street and they're concerned about the events taking place at this time, particularly with respect to Sam's downtown feed and pet supply and since we share a joint driveway with the development we have some great concerns. And here are the concerns: Why is an unprecedented five-story podium style high-density housing being constructed with inadequate parking? The proposed 117 room facility housing 234 residents will create parking and traffic congestion with a negative impact on the neighborhood. Why was only one-half parking space allocated for the total facility not including staff workers or family visitors? As you know, city code requires one park space per unit. Personally, I don't drive half of a car, so I don't know if any of you do or the developer as well. Second, why is the five-story high density housing project being constructed right next to a school for children? Our concerns is for the safe learning environment of these children, and it's our duty to provide a healthy space. Does this 117 room facility provide this? Why doesn't the increasing numbers of adults that create opportunities for loitering and hanging around the school, what about the flow of traffic and construction disruptions during and after the project? Congestion, traffic is already a problem. Adding this will severely impact the established and mixed use residential and business community. On the advice of our attorney, Gary Sherra, we are asking on a continuance on the decision to vote on the core low income housing project. Thank you.

>> Mayor Reed: Mary fortune, Sam Blackford, Norman Copernick.

>> Good evening honorable mayor and members of the city council staff and esteemed guess. My name is Dr. Mary F fortune and I've been a professional educator for 14 years, five and a half at San Jose State university. I'm property owner of West San Carlos Avenue. I'm here tonight to speak in opposition of building an the unprecedented five story podium style high-density housing project by James R. Marcus, owner and CORE affordable housing. Two reasons why. The extreme close proximity to the foundry day school. In my professional opinion and personal opinion, I do not believe this is the right project for the at risk students attending the school. What type of environment does this create both during and after this project is completed? How does it compress high living space promote a healthy living environment for our children? Especially when children are not expected to live in their rooms all day? What about traffic? What about loitering or the tendency just hanging out around the school? Should we be concerned about graffiti, vandalism or even trespassing. Additionally, the area is already stressed with two pool halls, two tattoo shops, and a massage parlor within a block or so. How does this create a vibrant community? Second, location. I sat in a meeting yesterday with my parents, Mr. and Mrs. Fortune, and Mr. Chris Neil of CORE Affordable Housing. During this meeting he indicated they researched a possible 50 locations for this project. 50. With increasing concern, I propose this city and this group consider going to possibly location number 49. There's 48, location or 47. In conclusion, I ask why here, why now? And I thank you for your time.

>> Mayor Reed: Sam Blackford, Norman Copernick, Terry Bellandra.

>> Mr. Mayor, councilmembers, thank you for this opportunity. I should say what they have said but I do have something prepared. My name is Sam Blackford and for the past 20 years we have operated a business adjacent to the proposed Sunol Court project and the foundry school. We have several key concerns about this rezoning and development issue. The first is the proximity to the foundry school and the potential negatives such as traffic and other environmental issues which will be discussed later. We would also hope to maintain the continuity of the original midtown plan by keeping this a commercially zoned area. High-density, mixed use projects are currently planned for larger neighboring properties. Parking is another issue as you've heard this evening. We're aware of the speculation and industry averages for a project of this site, but we should be prepared for the worst case scenario which has been stated earlier, 117 residential units, 234 possible tenants, 64 onsite parking places. This does not include parking for facilities management, customers, employees, and other commercial areas and guest visitors as well. The potential for overflow parking and traffic would affect the school, the surrounding single family neighborhood and the already taxed offstreet parking for neighborhood businesses. We hope the council will consider these issues and agree this is not a good area for this development or in changing the zoning. Thank you very much.

>> Mayor Reed: Norman Copernick.

>> Mr. Mayor, members of city council, my name is Norm Capernick, I'm an adjacent property owner. I'm against this project. I hope you all have visited this site so you can see the problems we all have concerns about. My first few points are, one, I think it's too dense. It's a five-story building, a big blocked building, which is concentrated on the small site. Secondly, there are only 67 parking spaces for 117 units. There's nothing unique about this structure. This building, that helps the neighborhood. It doesn't really build a community that this neighborhood does exist presently. So I think that's important to take into consideration. Fourth, even though the development is exempt from park fees, it's this type of structure, this type of units that actually require more space for individuals to have a park. So I think that is a hindrance. Lastly, I do think that we need to maintain the present zoning, the industrial-commercial zoning, for there are very few locations of this, this type of a site for that whole block that will support the residential condos and apartments that are already in existence that are built across the street and the future ones being developed, 12, 15-story buildings on the Vedus site. And lastly, even though they can build it according to the ordinance, that doesn't make it right. This doesn't really help the neighborhood, and the community in that location. Thank you very much.

>> Mayor Reed: Terry Velandra, Chet Lockwood, Richard Nisset.

>> The opposition against this proposed development is not about the surrounding community's fear of affordable housing and change. The overwhelming community supports and welcomes supportive housing with retail below. The opposition is about a poorly designed, ever changing project that seemed to be shelved and then was hastily resuscitated back to life trying to beat the county annexation date by year's end. The public has had great difficulty tracking this evolving project as we keep learning new pieces every time we hear the applicant speak. We will not be painted as NIMBYs because we are concerned about the quality appeal and practicality of this proposed high density mixed use development. Community members are offended when a developer manipulates the facts presented to the public to paint the wrong picture to gain your support and votes. A formal protest has been filed by 95% of all residential school and property owners. The residents and school board all have serious concerns regarding the impacts. You also have many letters of opposition and concern from the surrounding Burbank Del Monte NAC, Shipna, Sona, and Newhall neighborhood communities. Is the city's need for affordable housing so great that an ever-changed, poorly designed, impractical project will be quickly approved over the valid concerns over the overwhelming protests from the immediate surrounding community only because it's desperately needed affordable housing with seemingly no other redeeming qualities? Why not respect the existing, heavily vested community concerns and work together to put a thoughtful, appealing affordable housing with vibrant mixed-use retail development out on the street that is a welcome addition to the neighborhood? Please respect the community's formal protest and deny this project as proposed. Thank you.

>> Mayor Reed: Chet Lockwood, Richard Nisset, Helen Chapman.

>> Thank you, Mr. Mayor, council, Chet Lockwood, Fiesta Lanes Action Group. In last week's Planning Commission hearing, the planning commission chairman commented that architecture of the building of this development was poor, boxy, uninspiring at best, that it needed to be redesigned, and the applicant replied that he thought that this would hurt his architect's feelings. Commissioner Jensen thought it was boxy and mentioned a lack of open space and the opening to the parking garage should be on West San Carlos not Sunol. The applicant said West San Carlos frontage was too narrow and there was an easement across the front. Commissioner Cahan was concerned and all the commission was concerned about the improper timed notification of the county school district not San José Unified. Commissioner Kamkar was so concerned about the lack of retail parking that he voted -- about the lack of retail space and parking that he voted against the project entirely. Commissioner Zito asked if ecompasses would be provided for the new residents, and the applicant complained that they were expensive. Commissioner Campos entirely missed the point of the many concerns of the business, residential, community and school representatives at the meeting and painted the entire opposition as fearful of affordable housing and change. We are not fearful of affordable housing. We welcome it. There's a valid formal protest before you with notarized signatures. There are numerous opposition letters from various neighborhood associations and groups. The poorly designed project that is presented to us and is evolving as we speak will cause severe impacts and negative impacts to the surrounding community. We are telling you that even though your own Planning Commission has approved this, the project should be denied and we request that denial of you tonight. Thank you.

>> Mayor Reed: Richard Nisset, Helen Chapman, Debra Arrant.

>> Thank you, Mr. Mayor and councilmembers, I'll be brief. I think you've probably heard everything but would I like to put some fine points on it. I live in Shasta Hanchett park. We feel this project seeks to reach one goal in sacrifice to many, many others. It has poor access to light rail, it doesn't have the fine footprint of the midtown specific plan, it is architecturally inconsistent to the area, it's not sensitive to climate change and future energy needs because it's not ecofriendly, it relies heavily on auto transportation and as you've heard it has insufficient parking. It does not contribute to the construction of the light rail at Sunol which has been proposed and discussed, and it doesn't provide ecopass rider subsidy for its residents. It's protested by 95% of the adjacent property owners and most of the surrounding homeowners associations including my own Shasta Hanchett park are definitely not in favor of this project. We ask that you defer, further deliberation on this, for more investigation, and in doing so, also consider the alternatives of supporting the CP and RM rezoning recommendation from staff, require the development to provide a strong retail development along West San Carlos, mandate an architectural design that is consistent with the area, require LEED certification and energy efficiency for the building itself, and mandate a contribution to the light rail terminal construction at Sunol and ecopass ridership indefinitely. Thank you very much.

>> Mayor Reed: Helen Chapman, Debra Arant, Brian Ward.

>> Good evening, Mayor Reed and members of city council, my name is Helen Chapman, president of the Shasta Hanchett neighborhood association. This has been a long couple of days. We respectfully request a deferral of this project before you tonight and ask you to acknowledge and respect the issues that resulted in 95% of the adjacent property owners signing a formal zoning protest against this development. This project has much room for improvement in terms of access to light rail, ecopasses for residents, architectural detail daily those consistent with the surrounding area which includes LEED certified design standards, adequate convenient parking that will support a vibrant retail frontage along with San Carlos. We would like to have the opportunity to continue working with the developer and the community to come up with a project that helps bridge a gap between what was presented and what will be implemented. We aspire to better policies, respect the midtown specific plan. I did have a slide but unfortunately it didn't get printed because we had a Mac-PC compatibility issue. I thank Chris Neil for meeting with me last night with another colleague, with the possibility of separating the project into two components, retail in the front and the housing in the back. That is maybe something you would want to consider tonight. We are asking deferral, we want to get the dialogue going with the developer because we think we can make this project better.

>> Mayor Reed: Debra Arrant.

>> Good evening council. My name is Debra Arrant and I'm vice president of the Shasta Hanchett park neighborhood association. I am here to repeat almost everything you've heard tonight but also to add this: We support the VTA's recommendation to condition this project provide a contribution to the construction of the potential light rail station just South of Sunol. We seldom agree with the VTA but tonight we do. One of our issues with this particularly project has been that it was not particularly close to -- conveniently close to any of the rail stations. The bus rapid transit on West San Carlos is going to be some years in the future before it's viable. It's a long unsafe not pedestrian friendly walk to Diridon and also to the light rail station which is at Parkmoor and race. If you do not either defer or deny this project please provide the condition that they support the VTA recommendation. Thank you.

>> Mayor Reed: Brian ward, Kathy stormberg, Gary Dresden.

>> Good evening. I was supposed to be the leadoff hitter for the last three speakers Just imagine my testimony going in front of theirs, because they're explaining everything I'm going to lay out for you. My name is Brian Ward. I'm Vice President of the Buena Vista neighborhood association. I'm against this development because it is being rushed for approval to beat the November annexation date. Even the applicant admits that there is a lot of work to be done including determining parking space, retail space, something that is sorely needed for the midtown specific plan because we've got the majority of the residential units but very little retail. And ensuring residents have access to public transit. This project represents the first steps of the gateway from midtown to Diridon to downtown. We need to keep a balance of competing priorities for housing and economic development which is retail, to serve not only the people in this development, but also, the residents of the larger neighborhood, those of the midtown specific area. 95% of the adjoining property owners have filed zoning protests against this development which shows that there are some very serious concerns about the propriety as it is being set forth especially in light that this project seems to keep changing almost every week. This development cries out for the developer, the city and the neighbors to work together to build a cornerstone to the downtown

instead of a haphazard ill fitting development. You have several options tonight. You can vote for the project as-is knowing that it is incomplete due to the amount of work that still needs to be flushed out, you can defer the action, and allow the community and the city and the developer to work together to make a noteworthy development, or you could follow the city planning department's alternative to prezone this to the residential mixed use and commercial pedestrian to keep the balance in line with the midtown specific plan. I urge you to defer or at least zone it RM and CP. Thank you very much.

>> Mayor Reed: Kathy stormberg, Jean Dresden.

>> Hello, my name is Kathy stormberg. I'm a resident and property owner in Hanchett park. I came to speak against this project as someone who's lived in San José most my life. I grew up here, spent most of my life here. And I love living in midtown, I love living close to the heart of San José. I am excited about some of the projects for the future, the idea of high speed rail, the development of downtown that I've seen over the decades, the idea that we could bring BART to San José finally and I think that long term, having this area be developed commercially, is a great opportunity and one that should be preserved and not developed, this kind of housing project. My other and primary opposition is that this housing development would be exempt from park fees and I think that is a short sighted way to go about things that parks provide one of the things that makes a city enjoyable for residents, that especially the residents of this place who would have so little space to enjoy outside, to not have any park in the vicinity because the city can't afford it, because they didn't have to pay the park fees, not just hurt everyone else who lives in the neighborhood but hurt the projected residents of this facility. Thank you.

>> Mayor Reed: Jean Dresden is our last speaker.

>> Good evening. My name is Jean Dresden and I would ask that you defer decision on this project. There are many challenges left. I've put up a slide that shows the project in context with the existing retail pizza Jack's Mr. Lou's and he has some activities that go on there now, and then he has some plans for some transformation into retail in the near future and Sam's downtown feed. The handwritten drawings shows the walk to retail from the parking spaces. People visiting the proposed retail are expected to walk around the corner, approximately a distance of 400 feet. And while some day, we may all be willing to do that, today we're all going to cheat and park in Sam's parking lot. And that's an important thing to be aware of. We are in a city, in transformation. It's a process, and so the very first projects have to acknowledge who we are today. Not who we're going to be as a city, in 30 years, where everyone will say, God, I parked within 400 feet, Ye-Ha. Today someone will want park nearby. We met last nights, we brainstormed some ideas. There is some creativity, there is some motion, there are people talking about the way to get better balance in this project between the City's need for affordable housing and its need to address the structural deficit through commercial properties. I urge you to defer this project and give us another week to look at it, come back to you next week. Thank you.

>> Mayor Reed: That concludes the public testimony on this item. We'll bring this back for some council discussion. First I'd like to disclose that my staff has talked and met with Chris Neil of core companies in preparation for this meeting. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you Mayor Reed. My colleagues I wanted to thank the speakers for coming out tonight and sharing. I've heard all these comments before, because I attended the community meeting in the district for this project and heard comments from members of the community, residents, property owners and business owners. For many residents, this is their first experience with the City of San José since their neighborhood is being annexed by the city. In addition, I watched the entire Planning Commission discussion on this topic and I also want to disclose I spoke with applicant core, Chris Neil at the community meeting. So two things. One, legality me just address the deferral. The project that's been in the works for two years is not going to get fixed in one week. I know that some of you have asked for a deferral because you think the council will pass this thing tonight. But I'm telling you, have a higher hope. So I want to thank my mayor and colleagues for allowing me to serve on General Plan 2040 along with Vice Mayor Chirco and Councilmember Liccardo for the last two years. Being on the general plan 2040 makes me think of the best term, best long term use of land use citywide. In the past, we sometimes have made decisions based on the short term rather than in the long term view. The general plan 2040 is about learning from historical mistakes, being strategic with land use and looking towards the future. The council has been strategic in the past with land use. In fact we spent over \$100 million being strategic by land banking to provide development sites which have led to economic development. However, we can land bank without spending a dime, by simply voting no on projects that do not have our best long term interest. Who would have thought, just say no, might mean more land for jobs? Tonight, we have business owners, property owners, and residents who do not support this project. I've been a

councilmember for over two years. And I've never seen each of these groups on the same page. As elected officials, we have the due diligence to listen, those that will be affected by this proposal. This proposal is a gateway parcel located on San Carlos linking downtown to Santana Row. The current proposal divides two other parcels which will not allow for development that is more focused on economic development. A side note, I spoke to an industrial property owner on Mcevoy who is against the development of industrial residential and who asked me where are the people going to work in San José. This current zoning is industrial, it's an industrial zoning that is often difficult to locate in San José. The odd shaped parcel again does not allow for proper parking to be built underneath since it divides the two other parcels. Otherwise, the current proposed parking provided is problematic for the neighborhood. Shasta Hanchett board members have said in the public meetings that if we're going to get a baseball steady yum would this land not become more valuable? This parcel should have an economic development aspect that also could have housing on top whether it be affordable or market rate. By developing the entire parcel, not a divided one. The currently proposal as mentioned does not pay park fees or construction tax fees in a neighborhood that is identified as park-deficient. We spoke about the deficiency in parks last Tuesday in this council chamber about the Greenprint. San José has lost out as much as 60 to \$90 million in park fees alone. So there's some concern about the concentration of affordable housing in this area. Core has other projects going on in district 6. We have Fiesta Lanes in San Carlos, we also have Evans Lane. In December, this council is going to hear another mixed use proposal going to be right across the street that is actually going to provide more affordable housing than this proposal, because it will be 160 units of affordable housing. That council can decide that in December. We recently approved 40 units on San Carlos and Meridian this spring. We have the Larry Stone project on Lenzen which is 100% affordable. We have the nine-story CORE development project on the corner of Bird and San Carlos, we have the Esperanza affordable project right next to that. We have the affordable senior housing next to Safeway on Meridian and midtown. 77 Park Avenue, just half a block away, was recently bought by the Housing Trust, and that might be proposed to turning into 200 more affordable units. So as mentioned, 95% of the adjacent property owners are against the rezoning. They took the time to file and get their signatures notarized for a zoning protest application. Which is uncommon, unprecedented, thus showing a high level of opposition by adjacent owners. Not someone that lives a mile away but someone who owns property right next to it. As far as the gentleman selling the land, don't worry, from my understanding being he owns property all over California, so won't lose his house if he doesn't sell this land to Core today. So based on the annexation rules we can look at this parcel in two years when we know whether or not we're going to have a future ballpark. Construction of this development was not going to occur for a couple of years anyway so there's no reason to rezone it today. And there's no immediate gain in construction jobs since this would not be built for two to three years. The light rail station has been brought up. We still don't have a firm commitment from VTA to fund that station. So I do not support this zoning change we have before us. I respectfully ask that you vote against it. This issue tonight is about land use for our future not whether this project is good or bad. You've heard comments on that as well. So my motion tonight is to vote down the project.

>> Mayor Reed: That's a motion. Is there a second? I'll second the motion.

>> Councilmember Oliverio: Thank you, Mayor Reed.

>> Mayor Reed: The motion is to deny the rezoning, I guess is specifically what the motion would be, to deny the project. Now, I have a question with -- if the council decides to deny this project, what impact would that have on 11.3, which is another related area, I assume to be totally independent, the rezoning and the other area, that's covered by agenda item 11.3 could proceed?

>> Joe Horwedel: That's correct, Mr. Mayor. 11.3 is noticed to include this site. We wanted a back stop in case the council was not inclined to approve the project, that it would not put a one-year delay in the annexation. So if the council was to go forward with the motion they could go forward with 11.3 and the annexation could still go forward.

>> Mayor Reed: Okay. Councilmember Liccardo.

>> Councilmember Liccardo: I've met with Chris Neil at Core. I want to disclose that I think Councilmember Oliverio's points are very well taken. I think all of the concerns that I've seen and read are significant. I don't see this as a NIMBY issue. I think there are a lot of serious concerns about parking, about access to transit and parks and other issues. And I appreciate the work of Helen Chapman and Jean Dresden to sit down with the developer yesterday and talk about how do you make this project better? I think that's important to have that dialogue. I also think there was some thoughtful letters and Jean Dresden in particular I think made some very good points. What seems to me is that neighborhood

leaders and developers are smart people. And when you give them a chance to talk, to work things out, often you do get to a solution that seems to work. I'm thinking in particular of an item we just approved which is 11.2 -- I'm sorry, not 11.2, it was on the consent calendar, 11.1 (c). Not 90 units to the acre as we have here but 300 units to the acre. And mostly affordable housing development. I think it's about 90% of the units are affordable. And there, we clearly had issues with parking, no question. And the developer came forward with very creative ideas, and made commitments along the lines of engaging in car share projects, which is going to be a wonderful sort of test case for us of innovative project like significant less use of cars, ecopass commitments, relating to lease being in adjacent garages. I don't pretend to know if there is middle ground here. But it seems to me we should give people a chance to talk so I'm very reluctant to vote against Councilmember Oliverio because he's a man who's, I think, his interests are very strongly with the community and I often agree with his point of view. But I can't agree to simply deny this without giving people a chance to see if they can find a workable solution in the middle.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor I was actually going to speak along the same lines as Councilmember Liccardo. We heard from some folks and I also agree, I don't see this -- I don't see the community -- the community being upset about this as a NIMBY issue and much of that has to do with the folks we heard from tonight, whom I know have often supported housing, affordable housing and otherwise when they have a chance to constructively talk to the developer. Now whether it's been two years or however long it's been that there hasn't been that dialogue, that's regrettable. But we do have a situation where a developer is asking for deferral, where we have the community members who have shown, in the past, an ability to work with developers, to come to some consensus on critical issues that are important to the neighborhood. They're asking for a deferral. And at the end of the day, we may come to the point where there's no agreement or we're still stuck in a situation where none of those core issues that the neighborhood has can be dealt with. Or the developer may not prove to be in a position to be able to accommodate some of the issues. But I agree with Councilmember Liccardo in that I think that we should give them that opportunity, even at the 11 and a half hour, if the opportunity is there, we should give them that chance, and I respect Councilmember Oliverio, he's been very clear particularly in regards to his principles, on the in lieu fees for the parks and so on. But -- and that's a policy issue that I can imagine we'll be having in the future. But given what the policy is now, and couple that with the legitimate concerns from the community, I think we should let this community have a chance to talk to the developer to see if he can put his money where his mouth is. He says he wants to try to help. I respect the fact that - I met with Mr. Neil a couple weeks ago on this project. I respect the fact that he did sit down, even though it was literally the 11th hour in this case. But if they want a chance to talk, let's let them have a chance to talk. I'd prefer to let them do that, come back and see if these issues can be dealt with.

>> Mayor Reed: Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. Just wanted to disclose that my staff met with James Marcus and a representative from core. And like both councilmembers Kalra and Liccardo, I absolutely agree that we really need to give the developer and the residents some time to talk it over. I'm just very, very reluctant to vote against this project tonight because I have heard from both residents and key community leaders that they have worked with a developer and they just want an opportunity to work out some of the details, some of the concerns that were addressed or expressed by them. So if the residents or the developer decides to kill this item at the next evening session, we're not going to have an evening session until mid October. That gives him a lot of time, a lot of weeks to go over and address some of these issues. We don't have to hear this next week. We'll just give you as much time as you need until the next evening session and then we can come back and address this again, thank you.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: I need to disclose that I met with Chris and David Neil, and I expressed some concerns about this. The frontage along San Carlos and the concept of retail, is it usable retail. I agree that since the developer and the neighborhood is asking for a deferral, that always to give the chance if the participants want to continue to do the appropriate work. But if they come back in the same place, I would really question whether or not I could support this. So what I would like to propose is a substitute motion which is to defer it, because of the request from the developer, and the neighbors, defer it a week, they can come back, either to a day session or if they prefer an evening, and I certainly respect councilmember Pierluigi, I want to see if there has -- you know, this is a test to see if there is any movement. Because if there's not, I am very concerned about this project. So that would be my substitute motion, is to defer it for a week.

>> Mayor Reed: All right, we have a substitute motion, we did get a second to that. The question is, the deferral date. Because you mentioned maybe a week. October 13th is the next evening meeting.

>> Councilmember Chirco: I -- my recommendation was for a week. If they want to come back during the day. Or a month, it has to be an evening meeting.

>> Joe Horwedel: Staff would recommend that this be deferred to either a week or two weeks, that the consequences of what it means to the larger pocket, and to the City's General Fund, if we defer this, is significant. So I would not recommend deferring this to the next evening meeting, if there is no resolution to move forward with the action sooner rather than later.

>> Councilmember Chirco: Then I would take the neighborhood and the developer and the school direct at their word and give them one week to come back. That's the motion.

>> Mayor Reed: All right, we have a substitute motion to defer for a week. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I also met with Chris and was very impressed with their willingness to work with people and we have kept in touch with them from the time we met initially until today. I would hate to see the energy, the intelligence, the enthusiasm that I see tonight, just turned off. That would not be fair. There is a sense of fairness that needs to be addressed here. So I think you're off to a reasonable start. You all seem to want the same end goal. And God bless you, I hope can you make it and do it in a week. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. First of all I want to thank the residents for being engaged in the planning process and for taking time away from your families to be a part of a process that can be very time consuming. The other thing I wanted to share is that I hear your concerns and I understand your concerns. I was faced with a project similar to this in my district, and the community really wanted time to work with the developer. So I encourage the fact that you're asking for a deferral, and that you're looking forward to sitting down with the developer to see how you can resolve some of your concerns. The end result, we got a better project out of that because we redesigned the project and it actually won an award, an affordable project won April award, because it actually had a design, it was integrated to the neighborhood and was very complementary. So I will be supporting the motion. I'm hoping that the developer will really listen to what the community's concerns are and you can come to some resolution before it comes to council next week.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I just wanted to disclose that I have met with Chris Neil, and also want to thank the residents who came forward and talked to us tonight. I'll be supporting the substitute motion and I hope that in the week, we'll be able to hear some more positives.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I had the opportunity to listen to the Planning Commission discussion about this item, and I was very, very concerned, and not -- would have been agreeing with Councilmember Oliverio's motion had I not heard what I heard tonight in terms of residents wanting a deferral, and the opportunity, it looks like there's been some movement since that Planning Commission meeting in terms of folks being able to get together. I think there are a lot of issues that I heard that night. I actually did take time between the council meeting and this evening's session to drive over there and look at the project. And when I saw it, I had even more concerns. So I hope that in the next week that a lot of these things can be worked out, the project can be improved. We can work out the issues with regard to the school. I'm concerned about the parking, I'm concerned about the retail on San Carlos, that we do need meaningful retail. The retail in this plan that I saw didn't really look like it was going to come to fruition, especially since there was really no parking that addresses it, the parking was going to have to be underground and far from the retail. Also I wasn't happy about I think 25 trees that are going to be taken out. There's just a lot of things about this project that I think need to be improved. And I will be supporting a substitute motion. But I would look to see a lot of improvement on this if I would ultimately vote yes on this project.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Will you explain how it will work then if this comes back next week with the protest and how many votes are required to actually pass it?

>> City Attorney Doyle: We will make sure working with the clerk's office the majority protest item will be agendaized, along with the current item 11.4. Should the council want to approve the project it would have to override the majority protest by two-thirds vote, that's eight votes, before it could act on the item itself.

>> Councilmember Oliverio: So four people voting in the alternative will scratch that ideas, thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Mayor I just need to disclose that my staff moat with Chris Neil.

>> Mayor Reed: All right, we have a substitute motion to defer for one week. All in favor? Opposed? Councilmember Oliverio and Reed oppose. So we'll take this up next week. On the afternoon agenda. There's no evening meeting next week. That takes us to another rezoning. I hope they're all as easy as the first one. Actually, it's the same one, 11.3. Didn't get very far, did we? 11.3 is a larger rezoning from McEvoy Street and meridian avenue and south of park avenue.

>> Joe Horwedel: Mr. Mayor, do we have any speaker cards for this item?

>> Mayor Reed: No.

>> Joe Horwedel: Then I would ask that we defer this one along with the other one to next week and then we could deal with it as a package.

>> Councilmember Oliverio: Motion to defer.

>> Mayor Reed: Motion is to defer for one week. All in favor, opposed, none opposed, that is deferred until next week as well. 11.5 is the rezoning at Lewis Road, Monterey Road, Singleton Road, Sunburst Drive. We do have some cards on that. Is there any staff presentation on this?

>> Joe Horwedel: Mr. Mayor, as noted, this is one of the county pockets annexations. Staff is proposing several different zonings on this reflecting the existing uses in the county. The current general plan, that we are trying to reflect the very diverse pattern of land use in this area as noted in the staff report. We are using some of the the alternate use policies in the general plan to find conformance with that, and staff is recommending approval.

>> Mayor Reed: All right, I think I'll take the public testimony at this time, Isabel Nanini and Joseph Seram. If I got the last names incorrectly please correct them when you come down.

>> Good evening, mayor, and councilmembers. I think have been living on Lewis and garden avenue for 63 years and my father owned it before that. I want it to be the same as it is. Not going to the city, from the people I understand in our neighborhood, maybe they're here, maybe they're not. They want to remain the way they are, also. But in this item, on 11.6, I see that the proposal zoning would not go into effect until annexation is existed incorporated county islands. So what I don't understand is, what does that mean to us, the map we got last week indicated that we are going to go into the city. And now, this indicates to me that there's no action to be taken tonight. Could somebody explain that?

>> Mayor Reed: After we get the public testimony I'll take and I'll ask staff to respond to your questions. We'll get back to that in a minute. If there's more you want to say, go ahead and say it, otherwise, Joe Seran.

>> Can I continue?

>> Mayor Reed: Yes, get all the questions out.

>> We had a public hearing and basically 100 people appeared. We didn't have a councilperson that was present or anybody else from the City of San José. A little over 100 people were present. A majority of them opposed the annexation of this community. And we were expecting to have another community meeting, which was promised by the representatives there at the meeting. No letters were sent out to us to, you know, in regards to scheduling another hearing for committee so they can clearly understand and get some of the answers questioned. So basically what we're asking for you to do is defer this decision for a later date.

>> Mayor Reed: Okay, I think that concludes the public testimony. Let's let Joe Horwedel respond to some of the questions that were raised during the testimony.

>> Joe Horwedel: Thank you, mayor. This is a several-step processing. The action before the city council is to establish zoning for the property. The next step, assuming zoning is approved, would be to actually annex into the city. The council agenda, I think it's October 9th, is the date we have settle for the council to initiate that process. The council would consider the final annexation in the end of October and once it goes through the county process it would be effective in late November, early December is our estimate. At that time, then the zoning would be effective. So this is really -- there are early steps. As the second speaker noted, we did have a community meeting in April. We have used the answer book that the council has seen, we're done with the other annexation projects, what the community meeting was actually hosted by a member of my staff, where we go out and talk with the community. Typically we do these as one community meeting in each of the pockets. There's two pockets in this part of town that was jointly held, so we have been fielding questions from individual property owners since that time. But that we do not typically do a second community meeting for these pockets. So I don't know, from that part I'm not aware of.

>> Mayor Reed: I'm sorry, sir, we're not going to get back in a back and forth dialogue. We'll make sure you get your questions answered, and I would ask you that after the meeting you get with Joe Horwedel so he can give you details. That concludes the public testimony. Bring it back to council. You'll need to talk to Mr. Horwedel, he'll give you his card and get answers for you. Other comments or questions from the council? Councilmember Nguyen?

>> Councilmember Nguyen: Thank you, mayor. As the planning director noted earlier, this is part of the county islands annexation program, and this is something that we have been doing with other county pockets in other council districts throughout the city. So I move for approval.

>> Mayor Reed: Motion is to approve the rezoning. All in favor, opposed, none opposed, that's approved. I would like to say if the county ever wants us not to do rezonings, we could probably be convinced not to do it. This is part of our arrangement with Santa Clara County that we're going through this process and another step along the way is 11.6, that's rezoning of property on East Capitol Expressway, Monterey road, Southside drive and Rancho drive. I do have a motion to approve. I do have some requests to speak on this one. We'll take those now. Please come on down. When I call your name so you're close to the microphone. Becky Alvarisio, Sara Velez, Cliff Sorgeson and Kathy Brandhorst. Please come on down.

>> Mayor Reed and councilmembers, I'm a homeowner on Haygood drive and I oppose this annexation for a number of reasons. I feel that you're taking our rights to vote on it. We've always voted it down before. And this so-called temporary law to take our voting rights away from us is just an underhanded way to take our rights away from us to vote on what we want. Not only speak for myself, but I probably speak for about 16,000 others here. I'm an old devil, and I've seen this annexation a number of times. And when they do, that's always rezoned, extra fees, and so on, and I'm on a fixed income, and I don't like to think about the idea of having to pay extra taxes. And they say the tax won't go up, but they sure have a system of putting extra fees on this, and that, and the other. And that still is a tax. And everybody that's been rezoned that I know, they end up paying twice the taxes they did before. Even though it's not called a tax. These homes have been there since 1951. And I think that if you give us all the right to vote on this thing, it would go down, you wouldn't find a dozen out of 16,000 that would vote for it. And wish you would reconsider and give us our voting rights on this again. Thank you.

>> Mayor Reed: Becky Alvarisio, Sara Velez, Kathy Brandhorst.

>> Hi, I'm Becky Alvaricio and I'm here, my parents have owned a house on Haygood drive for 50-something years. Whether we had that community meeting they said we would have another one prior to this meeting, and it never happened. They said nothing would change, but a lot of people in the neighborhood have second dwellings built 30 years ago and the city is coming in now and having these people like coming through some of the people have to tear their dwellings down, some of the people have to bring them up to code and do all these -- they've been there, their existing dwellings. The city said they wouldn't do nothing but they're already doing it. Like my parents, he is 82 years old, he has cancer and my mom has Alzheimer's, it's awful. There's nothing around there, there was orchards, everybody in our neighborhood wants it to stay that way, we're all opposed to it. I know a lot of sheriffs that work in the neighborhood and they say this is just a horse and pony show, already a done deal. They even told me not to come to the meeting that it's a done, set deal that everything was already been told, that as of September something, we're going into the city. I don't think that's fair. I think that our parents and grandparents and everybody owned these homes since they were first built and that's why they were there, they didn't want the city. If they want the city lifestyles they would have bought in the city. All those people bought in the county because it's county. I don't think the city should do what they want, they should have a vote on this, we should be able to say. Because it's generations live in this neighborhood. And if you go to every single home we're all opposed to it. I think we circulate all have a right to vote against it. That's all I have to say. Thank you.

>> Mayor Reed: Sara Velez and then Kathy Brandhorst.

>> Mayor and council, I actually grew up all of my life, in the Rose Garden neighborhood. And four years ago I moved here and bought, because it was county. I wouldn't buy in San José. I enjoy what I have there. It's open. There's lots of property. Are I don't see how rezoning this is going to do anything. Except bring money to the city which obviously this is about. There is no builders right now that are going to want to build. I don't think you're going to find anybody in that area that would want to sell to a builder to begin with. They want it to stay the same. And like I said, I moved there for that purpose, that it was county. It's nice we don't have a lot of crime in the area I live in. If you go two blocks over where the city is, the crime rate's ridiculous. Two blocks, three blocks anywhere out of this area, you'll see graffiti all

over, the crime rate is up. We like the fact that have the sheriffs. The sheriffs keep us safe. Rezoning this is only going to bring stuff into the city, elderly people out that are not going to be able to come up with the money to pay the higher fees and the higher taxes and it's a shame that the city can't do something else besides this to get their money. I would just ask that you would defer this, until the annexation process, where I think you'll get another surprise, you'll have a large group of people against this. In fact, a large majority of the community that lives there is against it. I've not spoken to one person that is happy about this. And that's all I have to say, thank you.

>> Mayor Reed: Our final speaker on this item is Kathy Brandhorst.

>> There is a problem on this property. Gallego or gallego Joe Vega's son, Scott Brandhorst is the owner of the property. And he moved a mobile home on the property. His property. And the owner has been beaten. He has been a-splattered, he has been -- his bones have been broken. And they will not back off on him at all. He needs help. He does pay them \$500 a month for the mobile home that he purchased, and put on the property.

>> Mayor Reed: Ms. Brandhorst, we are talking about an annexation rezoning here. If you want to speak on the open forum, we'll get to that later on the agenda. But you have to talk about the topic we're on.

>> This is the topic that we are on. And this man needs help.

>> Mayor Reed: That concludes the public testimony on this item. 11.6. We have a motion to approve, I believe. Clerk, yes, we do. Further discussion? Councilmember Liccardo.

>> Councilmember Liccardo: For the benefit of those who are here, and protesting, I thought it might be helpful to explain a little bit of the perspective, since we've been going through this for the two and a half years I've been on the council. I know there was a suggestion that this is a done-deal. And I think obviously there's a council vote that needs to be taken. But that's not far from the truth about a done-deal. These were agreements that were negotiated between the city and county many years ago. This is not an opportunity for the city to get more money. In fact taking on larger residential areas will increase our burden on the deficit. We actually spend more in services than we generate in tax revenue, believe it or not, while your taxes are going to other folks in school districts in the state and so forth. The reason why we're doing this is frankly, the county cannot afford to have sheriffs and all the other county services running to small pockets around the county. It is an extraordinary fiscal burden on the county, it is inefficient on the county, and we know that they're bleeding badly, facing deficits last year in excess of \$200 million and they'll face another one next year. They are doing everything they can to provide basic services, for health care, hospitals, jail, et cetera, and they simply don't have the resources to get to these pockets throughout the county. This is a process that we've gun many years ago to bring pockets in within the city to save the county resources to be more efficient and the provision of public resources. There is no question that residents overwhelmingly in these pockets don't want to be incorporated. There's no secret about that. It's not a pleasant process because we know people are opposed to this. We are trying to do our best to provide scarce resources. ...

>> Mayor Reed: There is a motion and second. All in favor, opposed, rezoning is approved taking us to the next rezoning which is 11.7, that's the property on Samaritan Avenue, Union Avenue, Carlton Avenue, Dickens Avenue, Cooper Avenue, Charlotte Avenue, Clydelle Avenue, Carlton Avenue, Winton Way, and Carlton Avenue. We got quite a few on this one. We do have some requests from the public to speak on this one, as well. I'll take that now. John Schweininger and Vincent Kildoff. Please come on down.

>> On the first annexation meeting on June the 25th, I handed in a petition that we did not want to be annexed into San José. Through Judy Chirco's representation I asked to be contacted by her, and no one called back in response to the petition. I believe we have no voice in this annexation process. We are all very disappointed in the process that took away our rights as property owners that as county property owners, we have people here between five and 50 years. And the reason why I bought that property was because of the county. And now, you're taking these rights away. And I guess from the previous vote, it seems like my explanation is not going to do anything. But I hope you consider our request, that we will not want to be annexed into San José. Because right now, they say that we would get better police and fire protection. We, on Winton way, get the best that anybody can get because we get the county, and the city police, and the fire department. Thank you.

>> Mayor Reed: Mrs. Killduff.

>> Good evening, Mayor Reed and councilmen. My wife and I live on union, and I'm here not to address the annexation that is before you tonight, I appreciate Mr. Liccardo's comments, I understand the issue,

but concerning the zoning and rezoning. I have two questions, issues, number 1, whether the city has jurisdiction over the parcels in question at this point so they can rezone it. I know it's called a rezoning but it's like a fait accompli, you vote on it now and it doesn't come around again. I think when you have jurisdiction you have the authority then to rezone. But more importantly there's been no consideration of the mixed use of the pieces, parcels in this pocket. For example, samaritan drive, you just approved sometime in the past couple of years a very high density residential development, where the old electronic company buildings used to be, Texas instruments, I believe. Likewise on union avenue where we live, there is commercial development, there's an office building across the street, which was approved obviously some years ago, used to be a county office building. There's a -- if you look at union, there's one parcel there that is not part of the pocket, that's because it was approved to make it a commercial venture. We're sitting here on union avenue which is a commercial area. We are in the position of wanting all the persons -- the landowners that live on that street, with -- we have explored developing that parcel, our parcel taken collectively. The problem is that if you rezoned it R-1-8 we are precluded from doing anything for the next two years under state law. So we're asking, I'm asking that you defer it back to planning, you defer to the director of planning to analyze the zoning in this particular zoning whether the zoning should be uniform throughout or whether the zoning should be adjusted depending on the uses in this particular pocket. Thank you.

>> Mayor Reed: That concludes the public testimony on this matter. We do not yet have a motion. Vice Mayor Chirco.

>> Councilmember Chirco: I would like to make a motion approving staff's recommendation, if I can get a second I would like to speak to the motion.

>> Second.

>> Mayor Reed: There is a second. We have a motion on the floor to approve.

>> Councilmember Chirco: I would like to apologize to the first gentleman that spoke. You said you had presented a petition with a member of my staff requesting to get in touch with me. Unfortunately I was dealing with some health issues, and my apologies for that not getting delivered to me. I would like to ask Joe to -- I know there are concerns that have been expressed about preexisting uses of some of these parcels that have come to the Cambrian Community Council, and maybe you could address those concerns.

>> Joe Horwedel: Sure.

>> Councilmember Chirco: Thank you, Joe.

>> Joe Horwedel: Any of the uses that are legal currently in the county of Santa Clara, upon annexation into the city, would either be legal or legal nonconforming. So they would be able to continue to operate as they do today. If there are uses that have been created, buildings that were built without the benefit of permits in the county, they have no standing. And so they would have to comply with the rules in the city. One of the things that has helped a lot with the annexations is the city's adoption of a second unit ordinance. Previously, the county allowed second units and the city did not. So we were faced with real challenges previously with that. So a lot of the problems of annexation have been solved with that.

Generally our home occupation rules are more lenient than most of the cities around us so that we have been able to have minimal impact to people running home businesses that are legal in the county, they would continue to be legal in the city in most cases. The one speaker did talk about the daycare center out on union avenue, they actually annexed into the city separately. We zoned it residential because the general plan on union avenue is residential. We do look at what these pockets, is the general plan of the city still the right thing to do. And as the last item the council approved, in Councilmember Nguyen's district, we did some things that the general plan recognized, we were reflecting existing uses, there was a pattern that made sense. In this case, in our review, talking to our neighbors, we think R-1-8 zoning is the best fit that matches what's going on. If there are some existing circumstances that they're a legal existing uses, they could expand the use of the code so they have protections, we are very willing to sit down with the neighbors and talk with them individually about what their answers and concerns are. That's why we prepared the answer book to answer some of the questions that the residents have, because it is a complicated issue.

>> Councilmember Chirco: Thank you, Joe.

>> Mayor Reed: We have a motion to approve. All in favor, opposed, none opposed, that's approved. That completes the rezonings for the evening. How many thousands of more do we have to do, Joe, before we're done?

>> Joe Horwedel: We're saving the big ones for next year.

>> Mayor Reed: Great, something we look forward to.

>> Joe Horwedel: Something for the holidays.

>> Mayor Reed: We will now move back in order to item 4.2. That is the ordinance extending a temporary moratorium on new bail bonds establishments. I do have some cards on that, of course. Not a surprise. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I'll reserve any comments. I'd just like to put a motion on the floor. That's to move the recommendations in the memo dated September 11th, the two staff recommendations revising section 2 of the proposed ordinance to allow bail bonds businesses to move and to articulate council's intention regarding any superseding ordinance, ask that that be incorporated in the staff recommendation.

>> Mayor Reed: All right, we have a motion to approve. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. Perhaps we should hear people who wish to speak on this issue first. I would agree with that. I'll be back.

>> Mayor Reed: Okay. Councilmember Campos.

>> Councilmember Campos: Wait.

>> Mayor Reed: Take the public testimony first. All right let's do that. Please come on down when I call your name so you're close to the microphone save us a little time since the hour is late and you all want to go home. Eric Shanehauer, Paul Higgins, Susan Lapsis.

>> Good evening, Mayor Reed, members of the city council, my name is Eric Shanehauer and I'm a resident in the Vendome neighborhood. I'm here tonight to encourage you to please support the extension of the moratorium, so that we can finally get on to the real work, which is having all the stakeholders come together, the bail bonds companies, the neighborhood, the county and the city, and come up with some reasonable, balanced land use policies that y'all can consider in the future. If you approve this tonight we can get moving forward with the real work. I did want to give you an example of why I think it's important. On the screen is a city-generated map of a public improvement project that's under construction right now at the corner of Jackson Street and First Street. You're spending \$1.4 million to improve the gateway to Japantown. Can gateway to the Hensley historic district, two of the most historic neighborhoods in the city. After that \$1.4 million is spent, this will still be the gateway to Japantown. And you can see the excessive signage, which I believe is in violation of the sign code. You can see the desk out in front of the building. You can see the two motorcycles that are regularly parked illegally on the sidewalk. Whether the impacts of these businesses are real or perceived, the image most certainly is negative. And image matters. And this is not the image that we want for Japantown. It's not the image that we want for the Hensley historic district and it is not the image we want for our neighborhood. So I encourage your support for the moratorium tonight. Thank you.

>> Mayor Reed: Paul Higgins. Followed by Susan Lapsis. And Petra Fino.

>> Good evening, my name is Paul Higgins and I'm president of the San José downtown residents association. I'm here this evening not because of the district impact of this issue on my neighborhood but as a share of solidarity and supporting our friends and neighbors to the north. While our neighborhood is distinctly different in terms of what we come to expect from businesses being open late at night, I haven't always lived in the downtown core and can sympathize with those neighbors dealing with late night noise. I can understand the types of businesses surrounding them should directly and specifically address their needs. By doing so, residents can spend their money locally which will positively affect the city's general fund. Finally, it's my expectation that while the city should establish rules that don't infringe on businesses being able to operate freely without government restrictions it should be done first and foremost with the understanding of how to affect the daily lives of residents and the neighborhoods they live in. I understand most all of you don't directly represent me or those neighbors here this evening urging your support of the moratorium however it's fair to say if the shoe was on the other foot, you would ask your colleagues the same as the council is asking of you tonight, to stand on the side of the residents and support what is best for their neighborhood since it is them who live and raise their children there. I urge your support of the moratorium and thank you for your time. [applause]

>> Mayor Reed: Susan Lapsis, Petra Pena and then Antonina.

>> Good evening. I will keep this very brief. My name is Susan Lapsis. I live in the neighborhood. I think all we're asking for with this moratorium is time. We need time to get this right. We do need the time to keep people talking. We need time to explore ideas. One of the best things that's come out of this is that the bail bonds establishments, many of them, certainly not all of them, are talking to the neighbors, and the neighbors are talking with them. This is not an attempt to vilify that business, at least not for the most

part. Most of them are very reputable business people. We do have a few bad apples there. But there does need to be something done, so that we don't further concentrate. So please, vote for the moratorium. Just give us some time. Thank you.

>> Mayor Reed: Petra Peno, Antonina, and then Tina Morrill.

>> Good evening everyone. I'm here as part of Hyde Park, representing myself, my family, and some friends on Hedding Street that couldn't be here tonight. Almost a year ago I received a letter from the city Planning Department announcing a public hearing that would allow Aladdin bail bonds to be open 24-7 in my neighborhood neighborhood. You may recall that this item was supposed to be on the consent calendar for straight approval. It really catalyzed our neighborhood to realize that we had a growing issue in our neighborhood. We are not asking you to do away with the businesses that are there now. The bail bonds serve a purpose in the neighborhood. Accommodations have been made to ensure that existing businesses not be put out. We really need to bring North First Street back on the long term 2040 plan to make sure it's mixed use businesses that all of our neighbors can use. We all Holm hope, we would not use a bail bonds businesses. We hope not to ever use it, but other businesses in our neighborhood. We ask your support for a more diverse and more community overnigheted neighborhood. I grew up in a city in Germany. I like the amenities, I like the art but I'd like to feel like I live in a safe and balanced and respectable neighborhood as well and I thank you for your anticipated support.

>> Mayor Reed: Antonina.

>> Hi, good evening Mayor Reed and city council members. Thank you for listening to mow. My name is Antonina, I live on North Second Street, near Hedding, in the Hyde Park neighborhood. I appreciate Councilman Liccardo's ordinance for this moratorium, and I appreciate the new memo that came out for clarification for the bail bonds and their issues that came out this last Friday. All that memo was to clarify the bail bonds issues that they had when they brought forth this in the last meeting. Councilwoman Campos, thank you very much for meeting with some of the neighborhood leaders just yesterday morning. Mayor Reed, I also have been to all the meetings you had regarding this subject and more. It was back in October of 2008, that this all started. And it was at that time that the neighbors and I have been voicing our concerns about what's happening in our neighborhood to City Hall. That was what petra was talking about just a moment ago. So we want to make sure that the city or the neighbors' voice is still there too. It's the high concentration of one type of business in our neighborhood that doesn't allow us to make it more of a mixed use area. I really like my neighborhood. I've been there many years and I am going to live there no matter what but I just want it to be a better place. Thank you very much.

>> Mayor Reed: Tina Morrow, Sarah Brulett, William lamson.

>> Good morning, Mr. Mayor, members of council. My name is Tina Morrow, I live in the Vendome neighborhood. And I'm here tonight to support my -- to support the moratorium. Neighbors, neighborhood associations, we've been talking about this issue quite a while. We originally brought this to your attention because of the increased density of the bail bonds in our neighborhood and there is 24-hour nature of their operations. So what we have done as neighbors, we rallied around the issue, we voiced our concerns, we met with you guys. We also acknowledged the need for these types of services in this area, but what we want is, we want some time so the issue can be studied and a balance can be struck. It's all about balance. It needs to be fair for the residents who come into the neighborhoods. We put down roots, we invest time and treasure in our community. We are very concerned about quality of life. We understand that businesses come in, they invest in their business, they want to establish themselves, they want to run a business. So we would like the council's support for the moratorium. We believe it's a fair solution and will strike an adequate balance so that we can critically think out what this issue will look like. Businesses can continue to run their business and we can seek clearly the closure on the issue of density and the clock-operation issue. Thank you.

>> Mayor Reed: Sarah Brulette, William lamson.

>> I'm a current resident of Vendome neighborhoods. I think the proposed moratorium extension provides more than a fair compromise for the interim while they all figure out how to keep a necessary business operating. It's hard to tell which ones have been good neighbors and which ones haven't due to the sheer number and lack of enforcement of the current codes. Several of them are in violation of these and have gotten away with it for years. That is why they should be evaluated on a business by business basis. I just learned according to the city general plan that they are not even supposed to be allowed to be on the ground floor. But just as you are working in your neighborhoods to improve situations there, we're also working to improve our neighborhoods. And we're also -- we want to raise our family safely but yet we want to be reasonable to these businesses and allow them to operate. It seems that instead of shutting

these places down for these violations and the potential problems those would cause this moratorium extension will give us a chance to see what would work best for the neighborhoods and the tool for the justice system. Please vote for the extension to give us some more time for everyone to work for a very reasonable solution. Thank you.

>> Mayor Reed: William Jamson followed by John Carras and Michael Cole.

>> Good evening, Mayor Reed and councilmembers. I just want to make a quick apology for Councilmember Oliverio. I'll get your name right the next time I send you correspondence. The send button has just happened too quickly with a full day of activity. But we have been talking about this issue for quite a while now so I'll keep this rather brief. We ask you to support councilmember Liccardo's ordinance about a temporary moratorium. This is to give the city time, the residents to make sure that we are developing and do have formulated land use regulations that are appropriate for everybody. We do know that the bail bonds businesses have been operating outside of code and ordinances, I think this moratorium is actually a positive for bail bonds businesses because I think it will allow everyone to understand what the rules are, what they should be going forward so it's best for everyone. So I really strongly encourage you to support this moratorium so we can all come to the table and make decisions that are best for everybody's interests. Thank you.

>> Mayor Reed: John Karras and the last card I have is Michael Cole.

>> Good evening, my name is John Karras and I represent myself and the Hyde Park neighborhood association. I urge the council to adopt the ordinance extending the temporary moratorium on new bail bonds establishments. Hyde Park and the neighboring neighborhoods have experienced a slow but steady proliferation of bail bonds establishments. The reasons are that there are no land use regulations right anonymous that limit the concentration of bail bonds establishments in any given area of San José. It seems that the more bail bonds establishments that move in, the less likely it is that any other kinds of business is going to even want to move in. And for that reason, I believe that we need the moratorium to give this city enough time to decide on fair land use regulations that will prevent any further overconcentration and encourage more diversity in these neighborhoods. Thank you.

>> Mayor Reed: Michael Cole. [applause]

>> Hi, I'm Michael Cole with Michael Cole bail bonds. I've been a bail bond insurance agent for over 13 years. First I want to say I appreciate the amendment that has been added to allow for relocation for existing bail bonds. However I am frustrated that they are requesting a 22 month and 15 day extension the maximum amount allowed under state law to address other issues such as zoning when they have had from May until tonight four months to present police reports and other documentation to substantiate the allegations and the need for the moratorium in the first place and have failed to submit any concrete official proof. I find it hard to believe that we are here again discussing an issue raised by a person who has a personal and family interest in decision using technicality of 500 feet as a method to avoid the need to recuse himself. Most people with ethics, morals, or just plain common sense would not have initiated the issue in the first place. A moratorium is supposed to be in effect citywide and affect all bail bonds offices, however in preceding discussions, the bail bonds businesses in the downtown district have been continually targeted which coincidentally happens to be in the district of the moratorium initiator. In addition I feel as if we are being coerced or blackmailed into being quiet as the Mercury News quoted, San José city planning director Joe Horwedel as stating if the recommendation passes Tuesday, the city will allow the current business to continue operating during the moratorium, even after midnight. As long as their customers are not creating problems. If the proposal ordinance does not pass, the City's code enforcement department will immediately begin cracking down on the businesses. In other words, be quiet, go along or face the consequences. That sure sounds like blackmail to me. I'm hoping the councilmembers will be hesitant to ambassadors this extension that is currently before you. Thank you for your time.

>> Mayor Reed: That concludes the public testimony. Bring it back for council discussion. We do have a motion on the floor. FTC Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I did want to divulge first of all that my staff did meet with Dustin Derolo and Ash Pereu, and I'd really like to thank Sam for his leadership on this issue. So I was a happy supporter, and I supported the memo because I know it has been carefully crafted and it will help to address issues in the neighborhood and it will help the businesses as well. The businesses are going to flourish more if they know that there is not going to be many more piled into that neighborhood that don't perhaps have the credentials that they should. So a very complicated issue. I would like to ask one

question of staff, and that is, could you please clarify the direction that will be given to code enforcement regarding the bail bonds establishments? What is the -- what is the current direction?

>> Joe Horwedel: Sure. Thank you. It's why I've asked Mike Hannon to be here with me this evening. Despite what the last speaker said, staff is not taking an approach to silence the businesses. We feel that they are -- have every right to voice their opinions, their concerns, through this process. The question that was asked, the same one that you're asking, is how will staff proceed and how has staff proceeded since this issue came up in October. In October, when the planned development zoning was considered by the council, we heard a large amount of testimony, concerns, complaints about how the businesses were operating. In a general sense I asked my code enforcement staff to start at the intersection of first and Hedding, to go through and visit each of the bail bonds establishments radiating out from that location. To do an assessment of were they in violation of sign regulations, were they in violation of use violation such as 24 hours, or the basic zoning. We then issued complaint orders for those properties, whether asking for those businesses to comply with city regulations, based on the type of complaint we treated them just like every other business or property owner in the City of San José. We do not force an immediate shut down for any business or any property in the City of San José unless there's an imminent hazard to the safety of residents or property owners. In those cases we do move immediately. But we typically allow business property owner to go through the process, to legalize themselves. If they are making a good faith effort to do that we will work with them to allow them to proceed. That is how we were proceeding with some of the businesses there that we identified had problems with the 24-hour use. What we found is that businesses did not feel that they were subject to the city's zoning regulations, that it didn't apply to them and they wanted to contest that and it's really why we're here tonight is to seize if there's a different strategy that the city wishes to take to deal with bail bonds businesses. We are continuing to move forward for enforcement of sign regulations, 598 North First Street, based on the testimony of the first speaker, I took that as a complaint. We will proceed with that. We have already been doing enforcement with other business further up on North First Street, and are issuing citations, compliance orders on them, we're giving the property owner based on temporary sign violations very short time to resolve it but a fair time to do it. For larger issues we are giving them a longer term. We've run into businesses that have opened in residential zones. They do not have any zoning approvals, no use permits for that that are regard irregardless of 24 hour use. We have businesses that have conducted illegal construction, so we've had our building code compliance staff to go out and investigate those. We've put compliance orders to them to comply with things. There are life safety issues that they have done in that and we are moving on those expeditiously. Some of the other issues that are more, for want of a better term, cosmetic or minimal violations, we are giving them a longer lead time to work. So we're trying to take a very balanced approach, recognizing that the 24 hour use is the one that there is sensitivity about or some potential interest of relooking at that question so for that issue particular We are essentially staying enforcement, we have cases open but we are holding enforcement actions back, but we have told the businesses that it is not an excuse for bad behavior. So to the extent that they are construing us, holding us accountable for the way the business operates, I'm sorry, they are a business that needs to act responsibly, we won't force them to go through this use permit process at this point.

>> Councilmember Pyle: Thank you, that is a very comprehensive answer, I appreciate that, thanks.

>> Mayor Reed: That's one of the nicest things that anybody has said about one of Joe's answers.

>> Joe Horwedel: Always complete. May not be short but always complete.

>> Mayor Reed: Okay, Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. I also want to express my thanks to Councilmember Liccardo for his leadership on this issue and his extensive outreach to both residents and the bail bonds companies. I'm supporting this moratorium because I think the current rules aren't clear. I think we've talked about those already. They're not clear for the bail bonds companies, the council and the residents alike. I think that with the time frame we've set forth with the temporary moratorium, it will give us time and the residents to be inclusive in the process as we move forward to create new policies for bail bonds usage. I do have two clarifying questions for Joe. The first one is, if a bail bond company chooses to apply for a C.U.P. for a 24 hour usage at the current location they are allowed to do that during this moratorium period?

>> Joe Horwedel: That is correct.

>> Councilmember Nguyen: And then can you talk a little bit about how you plan to include residents and the bail bonds companies in the process as we move forward?

>> Joe Horwedel: This really, I think, is one as the speaker said is probably going to be a four way discussion of the community, the businesses themselves, the city and the county. I think all four parties have a very vested interest in how this works itself through. So it's one that I think we're going to run it in an open workshop type format, as to really allow all interested parties to be at the table, and to start with what are the goals that each of them bring with, that they're trying to achieve out of this process at the end of the day, so that we don't start with positions but really with what people are trying to achieve. We start with those points because if we start with that there will be a lot of alignment. It's just how everyone defines what a responsible business operation is. I think it will take some time to work through these issues. As the memo from the councilmembers noted, and some of the staff research has pointed out, there are a lot of different ways that cities are regulating this issue or dealing with it. I think also, this will probably open some questions about the 24-hour, late-night use policy that the council has adopted. It's been a long time since that's been looked at, and we've really matured as a city. And just, you know, tonight some of the projects that you've looked at, that are mixed use projects, I think calls maybe a little bit of attention to treating those areas a little bit differently than the more suburban parts of the city that will continue to be very suburban and sensitive to late-night uses. So I think there's going to be a couple of things that will intersect, it will take some time to work through but it's really going to start with putting everybody's desires or goals out on the table and work from there.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, mayor. I just want to thank my colleagues, Councilmember Pyle and Nguyen for joining me on the memo. I want to thank the residents for whom this must seem like groundhog day, particularly Antonina, Petra Pino, and Eric Shanehauer, virtually everyone has been back here numerous times. I want to thank Mike Hannon and Joe for your diligent efforts on this. I know this has consumed an enormous amount of your time, and I appreciate that. And I also wanted to thank Fred Busso from my office for his extensive research that formed the basis of our memorandum in terms of understanding what other cities were doing. And also Regan Henniger for her hard work. I just wanted to very briefly explain why it is we agreed that businesses should be able to move regardless of where they're currently located. It is apparent from our research that several businesses are located on residential parcels and I think we all agree or many of us agree that we don't want them on residential parcels, because that means they're adjacent to other residential parcels and that's part of the problem and simply not allowing them to move means we'll have a fight and it would be much easier if they were willing to move by renegotiating a lease elsewhere. It seems to me that would be the path of least resistance, some of these uses maybe should not be adjacent to single family residential neighborhoods. So I'm very hopeful in the coming months we're going to be able to start to find some solutions. I know that there are differing beliefs about the appropriateness of 24-hour operations. I've already started a lot of conversations with folks in the county who seem to have varying views of uses on a 24 hour basis. There seems to be differing views about whether you allow 24-hour operation or not, they don't all need to be in the same place. I'll submit it at this time.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. My initial reticence when this issue first came up has a lot to do with the decade I've spent representing indigent folks from our community who if they're lucky enough to have the opportunity to use the services of a bail bonds company, a majority of the time it was their parents or grandparents or maybe an employer that scrounged up enough money to be able to get them out. Some of the issues, had to do with the operation of the criminal justice system and the operation of the county, as Councilmember Liccardo alluded to would be something that we'll be working out. So I want to thank Councilmember Liccardo for taking all the time to -- and along with the staff to do the research and to do all the homework necessary to really put this I think on the right track, and the most recent memo that was released that addresses I think the biggest concern at least of the bail bonds companies. I really want to thank the neighborhood, the neighborhood leaders that have come out, and have been activated on this issue. And because I've stated before, it's a bigger issue in that area, not just because the bail bonds companies, because of the other uses in that area, with the jail and the courthouse, there are a lot of issues that come up because of that, it can be trying I'm sure to live in a neighborhood that has those kinds of facilities there. One thing I'd want to mention, I think just today Bad Boys bail bonds sent a letter talking about creating a community relations manager, issues hot line, a log and sending representatives to neighborhood meetings, I think that's really good. I don't know all bail bonds companies has the resources to do that, Bad Boys certainly has the resources to do that, but simply taking a page out of their book, trying to shift over to being that neighborhood partner, if all the bail

bonds companies can do that, then we'll certainly see an improvement. 22-plus months gives us plenty of time. The one silver lining we can see is there's plenty of time for the city to work with the neighborhoods and with the businesses there and with the bail bonds companies and frankly the other businesses that are there as well to really work on improving the neighborhood. And as Tina Morrill said, it's about balance, not just in terms of the density of the bail bonds companies and the around the clock operation but really about the quality of the neighborhood itself. And some of the negative impacts that may exist whether they can be attributed to bail bonds companies or not, they're still issues and this is going to give that opportunity to really work on them and so I think that you know, certainly I think it's pretty clear I'll be supporting the motion. And I really hope that the following months are used productively. I'm sure Councilmember Liccardo will represent us well as a city in working with the neighborhood and I just hope that the bail bonds companies step up and find an opportunity to really work with the neighbors who have clearly shown that they're willing to take time out of their schedules and work on this issue because they're the ones that are most affected. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: First I want to disclose that my staff met with Tom Sagal and Dustin Derolo representing Bad Boys and I personally met with neighborhood leaders surrounding the area. I'd like to thank my colleagues for their recommendation today. I really believe that the next 22 months will give us plenty of time to be thoughtful through this process and include the concerns of the neighborhood, and the community leaders in the neighborhood, and as well as address the needs from the county, and the businesses, the bail bonds. I also look forward to, after 22 months, being able to see clear recommendations which will benefit both parties. And Joe, you did an excellent job addressing Councilmember Pyle's question. Because I had a question that I know that she didn't ask, but you answered it, was regarding how would you handle the 24-hour uses. And you answered it very clear. So thank you. It saved me some time. And then I know that my colleague asked -- mentioned this, but I want to recognize that Bad Boys bail bonds, for your letter that came out, I believe it was Friday, and the fact that you were very proactive in outlining how you're going to work with the community and how you're creating the community relations manager, I think that this will be helpful, and I'm looking forward to the process, and I know that Councilmember Liccardo will take this issue under his belt, as he has, and we look forward to the end of the process and having good recommendations that we can implement. So thank you. I will be supporting the motion.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. First of all I'd like to thank Councilmember Liccardo for your work of balancing the need of the neighborhood and as well as the business. I just felt that the moratorium is such a powerful tool that we have. And just because the mere power of the moratorium that the city council have, I want to make sure that we use it with the greatest care that we have. Earlier discussion, I mentioned that I would be supporting the moratorium, if we restricted the area to the North First Street boundary. So I'm not really quite convinced that a moratorium is the only way to solve the problem. I'm very, very sympathetic of all the residents in that neighborhood. So Joe, let me -- can I ask you a few questions? I felt this the problem that we're facing today is because of the city departments, the really lack of cross-checking. If the bail bond people go to the finance department applying for a business permit, they probably never check back with the Planning Department to see if, you know, he wanted to operate the bail bond, it's in the right zoning district, and so on and so forth. Thinks that now you allow the existing bail bond to live out of the area for whatever reason, fire damage, or they live in the residential area, or the landlord want to double their rent. So I appreciate that we do put in the provision for them to relocate. So what rules or ordinance that we govern when they wanted to relocate, and why can't we apply the same rules to the new people that might want to come into this business?

>> Joe Horwedel: Councilmember Chu, the -- as you noted, the business license process does not have a zoning verification process in it. We used to do that about ten years ago and stopped doing that.

>> Councilmember Chu: Let me -- definitely, I think that's probably the core of the problem.

>> Joe Horwedel: Right.

>> Councilmember Chu: Putting the moratorium doesn't really address the core of this problem.

>> Joe Horwedel: Well, it is something that the finance director and I have been talking about. We had an issue that has come up here in the last couple of months that is similar to this. And so we have been looking at how why might reinstitute a zoning verification, at least for certain types of uses. I was putting down a note here for tomorrow, for my public information staff of how we're really going to operationalize this, so that the finance staff when they're issue a business lines is aware of this moratorium. Because

this moratorium does apply there also. So that no matter where someone goes, that there's clarity of answer, that we're not issuing a business license to a business that would be in violation of this moratorium. It is going to be a little bit complicated because we are going to have to match up, are they an existing business that's relocating which is allowed in the moratorium versus it's a new business. We have a list of about 60 bail bonds companies in this city, there are a number of cities that I will tangle out in a while, so we can administer at our counter. It will be a bit of a challenge, I can tell you that right now. The second piece of that is, I think where you're going, is that the challenges of the moratorium is it a citywide issue or is it just a localized issue, I think is what we were going to with the question. That is one of the things during the with-month period, we will come back to the council with some ideas on. Because there are a couple of ways to deal with that, whether there's regulations that only require conditional use permit if you're near the courthouse. If you are elsewhere in the city, it's by right. That's how some cities have dealt with it. There could be some cities have dealt with it as a ground floor issues that one of the speakers talked about. So there is a lot of different ways in -- we would like to come back with something that encourages what the goals, you know, achieving the goals of the group. That's why it's said, let's start with what the goals of the group are. And find the right tool to achieve that, and not start with kind of the solution to begin with.

>> Councilmember Chu: Okay, I haven't really made up my mind of how I'm going to vote, I do, again, believe that there are different ways like cross-checking between the finance department and the city department, without using the strong arm, no nor business there. And what happened if the same thing, if they wanting to move right side up, residential areas, we're not just going to let them move to the next residential house, right?

>> Joe Horwedel: They would have to move into a property that is properly zoned for a personal service business and then if they wanted to go through and operate as a 24-hour use, they would need to comply with the 24 hour rules.

>> Councilmember Chu: And chances are they probably will be moving away from the North First corridor?

>> Joe Horwedel: There are a number of commercial properties in the area besides North First Street that still are close to the county courthouse complex to where they could be located at so there are a lot of opportunities.

>> Councilmember Chu: And I appreciate Councilmember Pyle's question and also, just to tell me, clarify because I was -- I read in the newspaper as well, they was saying that without the moratorium you will be start cracking on those bail bonds, but with the moratorium, you will leave them alone for the 22 months?

>> Joe Horwedel: For the 24 hour, late-night use we will hold that in abeyance. But if they've got issues with signs or illegal construction, those types of things, we will still move forward with enforcement because those are still violations irregardless of the lately-night use.

>> Councilmember Chu: So without or with moratorium? Just to make sure that those tying ordinances are compiled. The only difference is the 24 hours?

>> Joe Horwedel: Yes.

>> Councilmember Chu: Do we need the moratorium, for the 22 months and 15 days, do we need the moratorium, go to the powers that do it?

>> Joe Horwedel: Otherwise, we have ordinances that say those businesses cannot operate in the late-night. And if there are complaints that we do enforce for complaints, we normally don't do proactive work. That is partly was -- you heard from the community, what the issues were tonight, is those businesses have been allowed to operate for years, the city has not proactively gone out and enforced for legal use, illegal operations. So it's gotten out of control. So we did do some proactive work as a result of that, we have identified businesses that had problems with 24 hours use. We are not enforcing the 24 hour use during the moratorium, but we are enforcing all the other rules.

>> Councilmember Chu: We are not enforcing the 24 hour rules. During the moratorium.

>> Joe Horwedel: Correct.

>> Councilmember Chu: My question is: Without a moratorium can we now to enforce the 24 hour rules?

>> Joe Horwedel: No. The attorney would go through and say, take -- then get rid of that rule. If you have no intention of enforcing the rule, don't have the rule.

>> Councilmember Chu: Is that your -- Rick --

>> City Attorney Doyle: I think the answer is, from my perspective, this serves as a time out. You've got an issue concerning questions whether the proper zoning is office use, personal use. Whether 24-hour operations should be a matter of right or something that can be accomplished through -- by way of a C.U.P. Then you have a proliferation of a number of businesses in one location, and this essentially says we're going to have a standstill and not to allow others or any more new bail bonds businesses to come in while we sort all this out and staff can come back with a recommendation on how we should recollect bail bonds businesses. So that's really the issue from my standpoint. It really says time out, we have too many, particularly in one area, and we need to revisit how we regulate these businesses. And without the moratorium you don't have that ability to say okay, no more at this point until we come back.

>> Councilmember Chu: Thank you very much for the clarification. You say in the statement that legal nonconforming status. The question is, if the new policy were adopted, would those establishments be grandfathering in or it would be expected to comply?

>> Joe Horwedel: If at the end of the moratorium we adopt a new ordinance and that that business was legal or legal nonconforming today, it would continue to be legal or legal nonconforming in the future.

>> Councilmember Chu: Grandfathered in?

>> Joe Horwedel: It would be grandfathered in. If it was illegal, meaning it was operating in a residential zone, and we didn't change the code to allow bail bonds in a residential zone, it would continue to be illegal. So anything that's illegal today, unless we rewrite the code to allow that, it would continue to be illegal.

>> Councilmember Chu: I'm sorry, what? Then we would have to ask them to move.

>> Joe Horwedel: Right. Well, we would proceed with enforcement, and they would have the ability to -- they could petition to change the zoning, they could go through a conditional use permit process, there are avenues in staying where they're at that they could exhaust, or they could move to another location.

>> Councilmember Chu: Great, thank you very much.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I neglected to mention, disclose that I've had conversations with principals of several bail bonds businesses, specifically Jeff Stanley, Stephen Sparacino, Stephan Gibbs, and Mr. Martinez, his partner.

>> Mayor Reed: All right. We have a motion on the floor to approve based on the memorandum authored by Councilmember Liccardo, myself, Councilmember Pyle and Councilmember Nguyen. I think we're done with the council debate on this, so at this time, it's time to vote. All in favor, opposed, we have none opposed, that passes on a 10-0 vote. [applause]

>> Mayor Reed: With Councilmember Constant absent due to illness. That concludes the work on the bail bonds for 22 months and 15 days. For us, not for Joe. Not for the community. Not for Councilmember Liccardo. But it will be a while before it's back which is good. That concludes our agenda. We have open forum is the last item. Kathy Brandhorst.

>> My name is Kathy Brandhorst, Lisa Marie Presley, Jonbenet Ramsey John steele and I'm also the U.S. president. I just wanted to continue from where I left off. Pullman, he place a police officer. I just wanted you to know, Joe Vega's grandson. And death row, he is releasing back out on the streets, he does not arrest them at all. Prisons, he is also releasing them out of, jails, and when I -- for bailing bonds, he steals the money from my bank account. For an example, a police officer writes murder, \$1 million bail. And I just wanted to let you know another example, it might be a lawsuit, that bail is \$1 billion. And I just wanted to let you know that this is still going on. And he never makes an arrest with death row. Thank you.

>> Mayor Reed: That concludes the open forum. That concludes our meeting. We're adjourned.