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>> Councilmember Herrera: Community and Economic Development committee, welcome everybody. And for our first meeting this year, January 23rd, and we do not have a quorum yet but we will go ahead and get started on the things we can do without a quorum. First of all, would anyone -- I don't think there's any public comments to start. We will go to our verbal report on economic develop with Kim Walesh.

>> Kim Walesh: Great, thank you, good afternoon, Madam Chair, councilmember Pierluigi Oliverio. We are here with our overview of economic development activities which have taken place since we last met which was the end of November. The purpose of this report is to give an overview of all of the activity. As we have in the past we want to start with a new fun fact that you can use. And this is from Forbes last week. San José metro area number 1 out of 100 large cities in the United States. Ripe for a Real Estate rebound. This is referring chiefly to residential real estate. But what the experts are saying is that we're the top area expected to experience a recovery in the housing market. And I should say we're the only city in California and actually the only city in the western United States that was on this list of top 10. And also, just wanted to share accolades you know we continue to work very closely with our entire economic development team subpoenaing multiple departments and when we get unsolicited positive feedback like this I'm very proud to share it with you. As you know, Oracle has moved into the third-floor space of the building they own downtown at 488 Almaden. And their senior director at Oracle who works with real estate all over the world said our experience with the City of San José on this tenant improvement is one that should not go unmentioned. In all the years we've been dealing with city jurisdictions, we've rarely seen such a fine example of assistance and diligence to get a project permitted, inspected, and a temporary occupancy issued. So I just wanted to share that with you, something our whole entire team feels very good about. So we have a really great committee agenda where we are going to dive into business outreach especially, but I want to hit on a few high points. Because business outreach, engagement, providing support to our companies to help them expand is our number 1 priority. So just to give you an example of the meetings that have been held, it's a wide variety of companies: Trena solar, Solestica, Jay Bill, Cressa Partners, Brocade, brokers like Colliers, Z Nano, Western Mountaineering, Sequoia, Wealth Advisors, Cogswell College, their impetus and our outreach meeting about a variety of opportunities that they see to grow and succeed in San José. Also, this last month, we have the two expedited permitting programs, the special tenant improvement program and the industrial tools installation program. In December they processed projects with Phillips, Cypress

Semiconductor, SunPower, Pinger, Motorola, Polycom, Intermolecular, and retail like sole restaurant, sunflower markets and Pet Smart. So a lot of really positive activity. Of course you heard the announcement last week about Flextronix moving their North American headquarters to San José. At least 500 employees will be there. We also have an announcement that Micro Semiconductor will be occupying 180,000 square feet of space on North First Street. I should note this is space that has been vacant for over four years. Building Department is providing expedited review for that program. You're going to hear from Del Grand auto later. They're going to talk about bringing a new Fiat dealership to Capital Auto Row in spring of 2012, we've been working with them on that project. We've also been working with the leadership of the mayor's office to develop a proposal to bring the U.S. patent office to the West Coast. And that will be submitted this week. It's a very exciting opportunity to help the patent backlog be diminished by having a presence in San José, which is the city which actually files the most patents per capita. I also wanted to get two key dates in your calendar. The first is the morning of March 30th. There is going to be a regional economic summit held in Silicon Valley. Which is being hosted by Silicon Valley leadership group the City of San José the chamber and a number of other partners. The purpose of the summit is going to be to identify regional priorities to ensure the competitiveness of the State of California. Our regional information will feed into a May 11th, California economic summit, which will be held somewhere in the Bay Area, hopefully in San José. This is a process which we're very excited about which we intend to be influential in. Of developing an economic strategy for California. It's being conducted in partnership with California forward, the California stewardship network and really, a distinguished leadership group. It's being chaired by George Schultz and Laura Tyson from U.C. Berkeley. Retail of course and small business support is very important. There's a lot of excitement about the new beverages and more store that opened near Westgate shopping center replacing a formerly -- a former grocery store, that property that was vacated. And also we've had a number of really excellent seminars through businessownerspace.com to help our businesses learn about how to do business with the giants like companies like Cisco and Genentech. How to get our foot in the door. We continue to work with Work2Future to help our residents find jobs. And again, what's exciting is you're starting to see significant hiring. We've been working with Oxin Solar in Edenvale to help them hire assembly workers for solar. We were worked from C-8 Medasensors who you'll hear from in a few minutes, and then jobs at Home Depot as the retail sector starts to recover. You're also going to hear this afternoon about the City's very important Real Estate practice, which has been integrated into the Office of Economic Development and now falls under the

purview of this committee. And you'll get to meet Terry Medina, who is our new lead of that group. And I just want to emphasize how hard Terry and his team worked right up to and through the Christmas holiday to close escrow on two very significant properties that were owned by Union Pacific railroad, properties that were so important to acquire that were years in the making, very, very complex deals, which is really a testament to the good work going on there. And the last area, enhancing cultural and sports amenities. I know you saw in December that we have chosen the New York City based artist Suen Yang to do the artwork at the convention center. I want you to know the last several weeks we facilitated meetings between that artist and some of our employers like Cisco, Brocade, and polycom, looking for opportunities for public-private partnership to use our local technology in that artwork. Also, the office of cultural affairs is a finalist in the national art place competition for a grant to do a comprehensive lighting the skyline project for downtown, which has been talked about for a long time. This could give us some very important capital to get that going. I also want you to be aware that the repair work has been underway to the veterans memorial. You'll notice when you go by there. Cirque du Soleil we're in final preparations for that to start in San José. Will be here from March 1 to April 15th. Also mark your calendars for the Amgen tour of California, you know we've been awarded a staged start, hope to announce where specifically in the city that will start but May 15th is the date. And of course, the figure skating championships are in town all this week through Sunday which is very, very exciting. So that is my monthly report for January. Thank you.

>> Councilmember Herrera: Thank you very much, Kim. A lot of exciting things happening and I want to welcome the guests that are here and Chris Burton will be formally introducing them. I think we have Del Grand auto, C-8 Medisensors and -- Kim, you mentioned this, too, a third company?

>> Kim Walesh: CTS contract manufacturing.

>> Councilmember Herrera: Contract manufacturing, CTS. So we welcome all of you and Chris Burton will be giving us that. I just wanted to check with the City Attorney, do we need to have a motion on our work plan before we move to this first item?

>> There is no action in the verbal report.

>> Councilmember Herrera: There is nothing, so we don't need to do anything. Let's move on, then.

>> One 15-second commercial or promo for business outreach, just as a reiteration of the importance and the activity level that is combined efforts of OED and planning building and code enforcement, as well as Public Works D.O.T, so there's a tremendous amount of work that goes into the application and work for each of these companies. And thinking through how we continue to refine our approach to business outreach and make it more thoughtful and more strategic, is what we're going to now have Chris tell you about.

>> Thank you, Nancy. Madam Chair, committee members, Chris Burton office of economic development. You'll have to excuse me I'm recovering from a cold so I will make my comments fairly brief. We have some guests here to talk a little bit more today about what we do and the businesses here in San José. Hopefully we can leave it to them to do most of the talking. But what I will do is run through a few slides, talk about where we've gone over the last sick months, about what we presented to you six months ago on the work plan, how we go about doing business outreach what our successes look like now and then hand it over to the representatives from CA CTS and the Del grand group of course. Our number one statistic from six months ago which remains number one task today, 95% of all jobs in Santa Clara County between 1993 and 2007 were created through existing company growth and new company formation. So our focus has really been on retention. We've had some great notable successes with new companies coming in, folks like Flextronics, Drow-Row had their ribbon cutting recently, obviously polycom. All really great successes over the last six months. But companies like IBM have been growing here. Other folks that have just been expanding and really looking for those key companies that will offer us prolonged and sustained job growth over time. And what that really comes from is understanding and gaining a better understanding of the depths of the local economy and how it works together. So as we're out there talking to companies it's getting a better understanding of their business, how their business interacts with other businesses and what those connections look like, how we can continue to facilitate those connections and make people more prosperous locally. We'll hear from CTS in a little bit. You've heard a few anecdotes on contract manufacturing from us in the last few months. And we'll have more, I think we have a work plan item to come back in June. But just as a sort of a great example, as a company like CTS grows, that represents growth for a

broad selection of companies that are also located in San José. So as they are increasing their product lines, as they're pushing new products, their manufacturing partners, that represents sustained growth throughout the country. So I do want to touch on the team, which is a great team. And it's in different tiers. I'll talk a little bit about the small team, and then we'll talk a little bit about the big team, as well. We took a couple of notable hits over the last six months with the loss of our business communications position, Steven Brewster, who you all worked with, and then also, more recently enterprise manager Yolanda Lee retired. That's put a dent in our capacity. We're a small team, but we like to think of ourselves as mighty. And to just give you a sort of a concept of who we are and what we're doing I just want to make sure you understand when we are talking about five, six people doing outreach who those people are and the other capacity they have in the city. So I have Don Burris with me today from the Redevelopment Agency. Myself, Don, Jan Chan work sort of general business outreach. Don and Jen, obviously, within the redevelopment areas, myself citywide. John Lang persuade much coordinates all of our incentive programs, so anything to do with the enterprise zone. He works closely with Jo Hedges on the foreign trade zone, the use cooperation program. Lee Wilcox who is focused in downtown, so a part of his capacity is outreach, and then Scott Green, as well, who's primarily in clean technology. So we're performing outreach as we, you know, perform other duties as required. And it really is a balancing act and that's why we rely on the bigger team as well so understanding our partners throughout the entire organization working very closely with development services with every other department. Because you know the city touches a lot of other departments on a daily basis. We continue to clarify those channels. We're just starting actually tomorrow morning with a new road show to get out into all the other departments starting with planning tomorrow, to talk about the value of economic development and how they can continue to work with our department to promote positive messages to our business customers. The value proposition we talked about last time I just wanted to hit on this again. As we've lost a number of tools that we would traditionally use for economic development we've had to really restructure our value proposition. And look at ways we can actually add value to companies, what are the different opportunities we see. So the key areas really are in network development. We get out and we see a lot of companies. We meet a lot of people. As we bridge those connections how do we make connection is with them. We work at different levels. We work with the state, with the federal government, we work with a lot of regional organizations, other industry partners. So also looking at opportunities there. Work2Future is an increasing part of our work as the economy starts to pick up. There's opportunities for them to really help fill the

gap. What's interesting with Work2Future is focusing them in on those companies that are growing quickly and don't necessarily have the HR capacity so as we're out there on our outreach being very targeted with those companies and saying here is a free business support service that can help you grow and help you find the talent that you need. And they do some great work in that area. And then also obviously looking at co-branding opportunities the city has a great brand. We're very visible. So just as if it's as simple as a quotation in a press release to ribbon cuttings to any kind of event right through to demonstration. And demonstration is becoming an increasing important part of commercialization, especially in clean energy products. And then the last but certainly not least, business support programs. So that's the traditional enterprise zone foreign trade zone use tax program, the expedited permitting programs as well. So to touch on the four key areas that we presented back in July, the first was build an ongoing relationship with 250 companies. We're over half way, half-way through the year, and this doesn't represent just a touch with the company. This is a sort of ongoing relationship where we've been out to see them, we've maintained that relationship over time because as we develop that value proposition, understanding that rather than just turning up once every two years to say, hey, we're the city we're here to help, is understanding their business more, understanding the issues they face, and then finding the programs or solutions that are applicable to them is really how we work our best. So we're sort of over halfway on that number. And we're continuing to sort of find new ways to interact with new companies. As you've all heard I'm sure through Kim, we've continue to develop the two San José marketing program. We're there with all of the content. Some of the feedback we got back was that some of our images were somewhat lacking so we're working with a photographer right now. We hope to have that out beginning of February. Once we have all the new images in place and it's been really successful, we've had you know the first few drafts out there with people, it really helps to understand what it is we're talking about and gives them that solid lead behind so they can have the reference material. We start to tubing about reference material it's a lot of information to take on in a short period of time. We're finding that a very useful tool. Last time we were here we talked about how do we build a good infrastructure for the team William we've successfully done that with the implementation of the CRM, the customer relationship management system. So we talk about 150 relationships. We also log 6000 contacts with over 3200 companies. So that goes back more than the six months but that's an incredibly important resource for us. As things come up or as connections need to be made it is a fall-back to say okay we know so-and-so here and we can connect them that way and it also tracks the interactions we've had over time. That is not a function

we've had in the past and it's really working well for us. We are also leveraging lot of events here at City Hall and elsewhere. Events like the Silicon Valley innovation challenge over at San José State, we were part of the Clean Tech Open Global Forum that was held here. Obviously, Lee's done a great work with PWC and their ilead challenge. The president's advanced manufacturing partnership discussions. These are all great forums for us to get into. To spread the message and to reach a number of different companies at a single time. So they're great lead generators it gives us really great exposure so we continue to look for different opportunities to both speak and interact with these types of organizations. With that first I'm going to hand it to Nancy to introduce Sean and then to Don.

>> Thank you, Chris that was really good. I just wanted to note, one item that Chris referred to, implicitly but we work on explicitly is working with brokers. So when we work with regularly a lot of brokers, and that is key to making sure we know who's in the marketplace and helping transactions get attracted to the city as a regular piece of our business. I do also have the privilege of introducing Sean Del Grand before Sean gives you a little bit of background about all those name plates that his company has invested in and his family has invested in here in San José, I just want to stress the gratitude that we have for the partnership with the family, as over the many years they have grown to quite a footprint both on Stevens Creek and on capitol, and particularly refer to capitol where two, three years ago we were under serious threat of property owners looking to sell that land and turn it over to housing which would be incredibly difficult for us to maintain, or capture some of the newer auto growth. So Sean personally through his family has tied down a good deal of that land and is expanding those dealerships and will help us maintain a full and active really our only sole viable Utah row in the city. With that Sean.

>> Thank you, Nancy, making it sound better than it is. But anyway I brought a few handouts I thought also would be good to just share some of the numbers. Maybe I can do that just now. Each so that (inaudible) and this one. So a little background on the Del Grand dealer group. So my father has been here in San José gosh since -- for 40-plus years. And I joined him in 1996. So I finished college -- finished hello here went away to college down South and joined him in 1996. And at that time he had one dealership on capitol expressway called Almaden Mazda. I wasn't sure I wanted to get in the car business. He never pushed it and I had other aspirations. I said,

well, if you'll help me build a dealer group, I think I'd like to be in Northern California. I feel at home here and that's where really our partnership and our relationship really grew. 1998, we bought our second dealership on capitol expressway, I'm sorry on Stevens Creek boulevard and then really kind of grinded it out there until about 2005, 2006 when we added a Subaru store on capitol expressway and subsequently gosh in the last three years on capitol we've added some dealerships that have been terminated or shut down. So the Chevrolet store, the Volkswagen store, the Hyundai store, the Kia store, soon we will be adding the fiat store and the Buick GMC store. So when I joined my father, we had about 60 team members and today we're just shy of 500, very proud of nap it was an interesting situation to continue to grow in this market just based on the economy and a lot of the challenges. And we worked very closely with Nancy and her team. I would say we worked closely with Ru and the mayor's office and really thought we had a lot of support. And that was there was a lot of awareness from the people inside the city that automotive was important. I think everybody is wears that other cities realize that so Milpitas has come on, coming strong and Morgan hill is now, so they're trying to come here to poach our customers. The magic of San José is this with virtually all of the brands that are sold in Northern California San José market usually has the number 1 store in Northern California. And so we're very proud that we've -- we have had at some point in time in most months, our Chevy store would be the number 1 in Northern California. Our Kia store is every month number 1 our Volkswagen is number 1 and we are competing against the Sunnyvales and soon more Palo Altos. So anyway, it is a competitive landscape out there, but you know, it was a lot of risk. Because out on Capitol Expressway the Saturn store was vacant, the Buick GMC store was vacant, the five-acre parcel where the Dodge store was vacant, you know, there was lot of questions what was going to happen with the property, with the Kar property on the corner there of Pearl and Capitol. So there was a lot of big question marks. And as we worked with a lot of these land owners we were able to put together deals and then the manufacturers came to us and in a lot of these cases awarded us the opportunity to be the dealer in this market, based on our track record. But a lot of these decisions were, as I said, quite tricky as far as costs and risk. And you know when my father and I sat down and worked through this, we really did feel like the city was there, and felt that this was important. So anyway, we're obviously very glad, we've been growing, we're really excited about growing again. The fiat store again had a lot of options to go to a lot of different cities and they chose us. So very excited about that. We are adding the fiat store which is again going to be another 800 to a thousand cars a year. Buick GMC has vacated the San José market for the last four years so we'll be opening up the Buick GMC

store in San José again we are very excited we think that will be another 80 to 100 cars. Those are big tickets, when you start selling 100 cars a month at a store, you are talking about 30 to $40 million in sales dollars per year. So you can see some of the growth we've had. If you look at the main sheet here, just on units, this past year we were eight units shy of 14,000. So give you an idea the prior year we did 7800 units and the year prior we did 5500 units so that's significant growth from our organization. Which, you know, is a strain on an organization but we think that we've been doing this really in a tough market and we think that there's more opportunity. You have the numbers on the sales tax -- on the sales dollars and can you see that there's some large, large dollars there that the stores are now generating as far as sales tax as well. The third page I shared with you is some of our construction dollars. And you can see that we have and are continuing to make a lot of investments into these facilities. And between, you know, the remodels and the furnitures and all the assets it's a lot of dollars. But some of the specialness has been really working with the city in the last year or two and really being able to help with the expedited process. And that's a lot better than we did our last remodel five, six years ago in San José at oak tree Mazda, and it was quite a strain, and it felt like it was just -- it was a challenge. And the last two significant projects we have done, the Subaru store, and now working on the Hyundai store, and soon we have these others is this process has been incredible. So when I explained this process to some of our like an architect they can't really believe this is happening a city of this size. And so I think it's important to know that that is a really big deal as a small business owner. To be able to have that support. I mean there's a cost associated will but to be able to have that ability to be able to streamline stuff, because for us time is money and the relationship and the expectations from the manufacturers we have other pressures that are coming on us, we have employees that sometime are waiting, so there's just a lot of other forces. So that process has been very appreciated and I look forward to seeing you really focus and continue on that for other small business owners. I would say kind of in closing that you know having the mayor come to grand openings and ribbon cuttings and Ru and just the support and feeling like that your mayor cares, feeling like your councilpeople care, feeling like that there's people at the Department of Economic development that are not just you know they're just some people that you don't really know what they do or how they do and you feel like they're really going to have an impact is meaningful to a small business owner. So I appreciate everything that everybody's done over the last few years and we look forward to continuing to partner with the city and grow with you. So thank you for the time.

>> Great, thanks John. I'm going to hand over to John Burris to do the next introduction.

>> Thank you, Chris. Good afternoon, councilmembers, committee members, thank you for this opportunity. I'd like to introduce to you first our representatives from C-8 medisensors. C-8 designs a medical device that can be used to test for glucose levels. We have with us this hyere afternoon Dr. Bob McNamara, C-8 medisensors CEO and to his right is Fred Tony, CFO for C-8 medisensors, as well. Gentlemen.

>> Great. Thanks for having us in, and we want to talk a little bit about what we have been doing when we moved back to San José. The company was founded here in '03. Let me turn the next slide. And was most recently in Los Gatos. Moved back May 1st in the space down in the Edenvale district. And most recently we expanded to take the whole building and just got our permits a week and a half ago, so we're occupying 102,000 square feet there now. And we are bringing to marketing noninvasive continuous glucose monitor. This will help diabetics be able to monitor their glucose on a daily basis without having to stick their fingers or have the invasive kind of technology that's out there today and on a continual basis every eight to ten minutes. We've got a lot of patents issued to date, we've got ten now. We've got almost 30 pending and another couple of dozen behind that. We've been very capital efficient for a medical technology company getting ready to bring its first product to market. Spent $32 million in capital to date. We're well capitalized today. We just received in the last couple of months a major -- another round of funding from G.E., as well as some other institutional investors. But GE capital and GE health care have a fund called the GE health imagination fund. You may have heard a lot about it. They're advertising a lot of their women's health care investments they're making, spending over $1 billion over the next couple of years, and we were lucky enough to be one of the few investments they've made, after a lot of diligence, and right as we're getting ready to bring the product to market. We will commence product shipments for the first time here in the first half of the year, most likely in the first quarter, it's been a big milestone after eight years of research and development. And again we just completed the major implementation of the 102,000 square foot facility. We're manufacturing and producing here in San José, all of our jobs are here in San José and all of our growth in the last year and going forward we expect to be in San José as well. If we could go to the next slide. Here's our device. It's accurate, noninvasive, continuous, nonintrusive and affordable. This is the goal that companies set out years ago, and we've been able to shrink it down to the size you see here, in the palm of a

hand. It is worn on the abdomen. It uses a technique called Ramon Spectroscopy and it shines a laser into the edge of the skin. Which is then reflected back. It is highly accurate. More accurate or equally as accurate as the improved invasive continuous monitors today and approaching the accuracy of finger sticks. It is painless. You forget you have it on. I've worn it for -- we all have it for weeks at a time. You forget you have it until you check your smart phone and your numbers are right there. It is continuous. So the patient gets a full picture throughout the day and night. Alarms are on the cell phone, and so if there are ever any very high readings or very low readings that will alert the patient or send a text message to a parent or a caregiver. So patients during the night that can go hypoglycemic and go into coma are protected as well. It is non-intrusive, and it's about the cost of three or five finger-sticks a day. This is the facility. The building sat empty for about 10 years before we occupied it. It was a shell. We built out the bottom floor with the help of the folks at Sobrato gave us some capital to help build it out and also the Redevelopment Agencies, we're pleased to be one of the last companies in California I guess that benefited from the Edenvale district funds. And helped us really build it out quickly. In about a seven week period we started and it was ready to occupy and that was May 1st. We thought it would be about now, or a few months from now that we started building off the second floor, and we were ahead of schedule so we started several months back. And went ahead and decided to build out the second floor. I think we got our permits in about a day and a half and we now are occupying second floor have all our permits there as well. You can see up in the upper right we've got lots of clean room capacity. We're actually expanding our clean room capacity ops six months. We've got about 15 or 20 today. And we are hiring about six to eight assembly workers a week right now, that's high tech manufacturing jobs here. And I'll talk a little bit more about job growth in a second. So middle of last -- middle of 2010 we were 14 people. And had been during the research and development phase. And at the end of 2010 we were still only 20 people. At the year-end 2011 we had grown to 105 and now less than a month later we've just hit 140. We expect to be over 200 within a couple of months as we build out the folks in supply chain and in manufacturing and production as we're ramping up to produce in the first ship in the first half of the year. Our plans are the same as they were six months and a year ago, to be 500 to 600 people here by the end of this year and we're tracking that, actually we're slightly ahead of plan on that. Driven primarily through our manufacturing production, employees that we are hiring but also engineering, marketing and sales customer service and support, finance supply chain software has been a big area of growth for us, our quality controls and our clinical and regulatory. Just about every department we're growing to support the entire organization. And

we're finding actually we're doing a lot of in-house recruiting and we're finding a lot of good people, we're queuing up about a month's worth of employment in the manufacturing area. Our new marketing plan which we're debuting here, previewing here, it's going to be using the power of light to measure your glucose, that's the new way to do it. And here's some of the early mock-ups we've done. Pair it, wear it, know it. You pair it with your cell phone, and you're able to read your glucose. Go on to the next. So this is a very big year for the company, after eight years of development, again early shipments this year we will be shipping for a large scale field trial that we're doing and then we're poised to launch the device in the European union the 26 countries as soon as we have CE market approval which we expect in the second quarter. We are beginning our FDA discussions about regulatory approval for the U.S. and we hope to be in that clinical persistal study before year end. If we hit our plans we'll be one of the fastest growing medical device countries in history, bigger we think than drug eluding stents when they first launches, which is the current record holder. We are attracting many potential distribution partners throughout the world. We expect to fulfill that early goal of bettering the lives of people with diabetes. We will be going to some major trade shows in the next couple of weeks in Europe, Barcelona, the second largest diabetes trade show is the ATTD meeting where we will be demonstrating the device to a lot of key opinion leaders throughout Europe, and our marketing team's going on a city-by-city tour of to meet with a lot of clinical folks. I think we actually have a video we wanted to show. This is -- you'll be the first folks to see this. This is going to roll out on the Internet in the next few weeks, and so here it is.

>> We took this for the sun and other people with diabetes. Jan really didn't know what he could do to help his son have a better gleu coast team together and see if we come up with a better way of monitoring gleu coast and.

>> Testing automatically and painlessly was the real promise of what Jan's vision was.

>> Over the next couple months, we looked at Roman spectroscopy, which started a collaboration which lasted eight years.

>> Roman they're on optical tables, giant four by eight tables.

>> Since we started working in this field we reduced its size by a factor of ten or 20,000 attends a beam of light into the skin and causes a very unique fingerprint. Very specific to the chemical species that you're looking for. The sensor itself has to be an amazing piece of technology to be able to separate that tiny signal from that noise. And that's what we have done.

>> What we're trying to do is take that value, that continuous monitor, and make it less invasive or intrusive into a person's lifestyle. My doctors tell me that my diabetes was a result of my cancer, affected my pan crease, affected my endocrine system.

>> Her blood sugar was over 1200 and we got the crash course on how to disclose your diabetes.

>> I also have 2,000 on.

>> No matter how many times we took it to the doctor they kept looking at well she got a sore throat she might have strep. We found out ache taking her to the emergency room she had type 1 diabetes.

>> Sometimes as an end here you get wrapped up in all the little details, what's going on in the system here and every so often you step back and see the bigger picture and realize that you're making this product that's going to be monumentally important.

>> We're trying to develop a product that you're going to wear it and it's going to give you a continuous readout and every eight to ten minutes and you don't have to worry that the answer you're getting is wrong or you're not using it properly. We really saw the opportunity to change the way diabetics monitor or manage their lives.

>> I want that for my daughter, to god of her body and live a normal life.

>> This is going to give you more information that you might have wanted but just were not able to have and able to get.

>> I didn't hold it against anyone out there that we were doubt it. We should have been doubted. Until we could prove the point that we actually have something that works, and works on a large population of people. That kind of culture of neferg taking something at face value, making sure it's absolutely rigorous I think is what helps make it successful. And I have huge trust in our team. We can see it through, we're honest, and I think we're going to get there.

>> So that's the initial marketing production video that we put together, sort of begin to introduce the company over the next few months and the first wave is going to be diabetics helping diabetics. A lot of people in the company have people associated in their families that have diabetes and as a lot of people probably in this room do and so this is the first introduction to the public of the company.

>> Bob, thank you so much. Bob now could take just a quick moment, one of our initial conversations that got us interested as economic development professionals in the Redevelopment Agency was your position on why you chose San José and I think our committee would be very happy to hear that.

>> I think it's important that one of the things that we wanted to do was bring jobs back to America. And that right now, for us to produce this unit costs us about four hours. That's not a lot of time per se. You by the end of this year we'll be down to two hours. As we make technical improvements, the goal is to get it down to 15 or 20 minutes. I've got personally lots of friends, neighbors, acquaintances, family who have been looking for jobs for years now. And I think it's important that as an entrepreneur in California, entrepreneur in the U.S. that you've got to basically employ the people you know here first. We can be very cost-effective. We think it's a product we want to keep our technology at home, I don't want to have to worry about it going out the back door someplace else. We've, all of us in our company have had experience setting up companies overseas, Malaysia, China, and whatnot. It's a big job. I'd rather that we train and develop our people here and we've got the technology base. We can make cost-effective quality products and that's the big thing when you're dealing with medical devices, you

want to be dealing with quality products. So my goal is we're going to be looking for more space next year. I got my eye on about 90,000 square feet across the street. Our goal this year is to make about 65,000 units. Next year I'm going for 80,000 a month and we're going to get there.

>> Perfect. Thank you, gentlemen. Next we have Mark Crompton. He's the director of business development with CTS, CTS is one of the are the manufacturers happy to have them in our Edenvale technology park. Mark.

>> Thank you, Don. CTS is a company that's actually -- the headquarters of the company is in elkhart, Indiana. It's a 106 year old company, that actually got started making telephones in the Chicago area and has since branched out into a wide variety of products, automotive, brake pedals, and a large part of our business is in the electronic manufacturing services business and our San José facility is actually our call our gateway facility but really a premier facility for bringing products to market on behalf of our customers. Go to the next couple slides. So we're about a $550 million company in 2010 and we just finished our fiscal year and will announce those results probably in the next couple days here. You can go back one actually would be better. Or a couple.

>> So these are the number of facilities we have around the world just in the electronic manufacturing services top here in San José. But we have facilities on the East Coast, Southern California, across the border in Matamores Mexico, tanjin China and delhi India and in Glasgow, Scott land. Their primary customers are those that are in the region which they serve. There's a few where we're doing some outsourcing for cost purposes but for the most part I'd say 80% of the volume that accommodation from these facilities comes from local customers in those areas. And San José is certainly one of those. On to the next one there. Give you an idea of our sales, we have already estimated to finish this last year by customer. So when we have about 90 total customers in our business you can see they're kind of spread out among a wide variety of different industries and ours are more gears to high ear space and defense markets, industrial, very high end communications equipment a little bit in the computer sector but agains that probably more the very high end supercomputing business as opposed to PCs and iPods and that sort of thing. Diverse customer base we're not really too dependent give you an idea of our breadth of products that we support. Pretty broad as you can see in the medical device sector we're working on some of the competing products to our older generation products, where my friends here on the right, and then

as well as some very large systems for doing analysis, chemical analysis, as well. Doing a lot in aerospace security business lot of detection and communication equipment as well as stuff like the Bradley fighting vehicle and those types of items. High end industrial, wide variety of products in here from energy and smart metering and this arena we also put our kind of green energy folks like the work we do with Coulomb and the electric vehicle and powering of electric cars and infrastructure oughts high bandwidth and high reliability connections for our customers. End users. And our customer set is pretty, again, a pretty broad portfolio of people from anybody like people like Johnson controls and Motorola he very, very well recognized industry names, to start justify industries and emerging companies like Coulomb and others. High end essentially high complexity circuit boards we also do back plane intlis which are essentially the large boards that go in the back of a large system that you plug circuit boards into like communications gear, things you'll see in the back end of a telephone company or network infrastructure coo fully configured products where we're actually taking product and furring to the end users and then we get involved in product end products all the way from the early stage design involvement where we're helping them design for manufacture ability and testing, helping people get through their new product introductions and some of their clinical trial regulatory affairs approval process, test engineering helping customers design test solutions so they make sure the products perform reliably. Built in multiple places our customers are in multiple places. And we also have programs that we launch let's say in San José that we end up doing some volume of production elsewhere so we need people who are you know very good at being able to manage products in multiple locations and also can understand the dynamics of moving materials and equipment back and forth between sites around the world. We also see a lot of activity, we saw a lot of activity this last year where our Thailand save the city of Bangkok, we did have advance warning that things were going there. We actually had advance warning, floods you as well. So we were able to have some time there to move equipment move people move parts and we actually migrated a lot of that work back to San José and Moorpark and really didn't miss a beat for our customers. Because we had actually built a lot of those products before they actually launched in Thailand so we had a lot of that knowledge already. We will be seeing a lot of that work migrate back to Thailand probably people we did because they were able to not only take the products to Thailand, but also, work on bringing them back. We also support repair and warranty services so you see a lot of products that come back from the field need to be refurbished, products that get built and don't sell that maybe if they get slightly re--change the skins out or change some of the power systems they can be sold as another type of product where

the market may be more robust. This involves a lot of supply chain activity making sure you have a right very expensive diagnostic equipment sitting on your back dock waiting for boxes. That's never a good thing. So it's everywhere from boxes and tape all the way to the very high complexity products, components. Getting the product in the hands of value resellers is a big part of our company as well. The facility in San José, we started in 2008. It was a combination that two companies that CTS bought in Silicon Valley, I think and we were looking for space to merge the two companies under one umbrella, and we were able to find the space through the help of the Redevelopment Agency down in South San José. So we today we have an 80,000 square foot facility. When we put the two companies together there was about 200 employees and we were doing about 60 million in sales. Today we have about 500 employees, actually a little over that now and we finished this year probably around 100 million range actually probably a little north of that. We have five high speed surface mount lines that can do very complex intlis, we can do all kinds of complex system intlis and subintlis, we have a class 10,000 clean room to do some of the system assembly that we need. We have room to and capability to build higher level clean rooms if we need to. And a lot of our test engineering capability there mentioned, I mentioned some of the markets we served and we have all the quality certification we need to serve those markets. So where we see things going with the MS industry and Chris mentioned a kind of a forum later on to talk about this in a year but we really see the industry growing very strongly and actually the companies that we are -- our competitors here in Silicon Valley really drive a lot of that growth along with CTS, it's not only fueled by a lot more companies are outsourcing their manufacturing to people like CTS so there's a lot of companies in the industrial sector and the defense sector that traditionally built products all themselves they're finding capitol to continue to invest is one very, very tight and 2 it's not the just R&D and better utilization out of the capacity with people like CTS going forward. The industry is expected to grow about 78% between 2010 and 2015. So 2010 was about a $371 billion industry worldwide. That was out of about a $1.1 trillion electronics spend for manufacturing. And expected to grow to about $660 billion in 2015 and that would be about 44% of the electronics manufacturing market. And where we see San José is, we continue to see a good outlook for growth at our facility in San José. It continues to drive the company, the manufacturing services part of the company in terms of target rich environment here in Silicon Valley and really an Inc. parity for customers that want to develop products, get some products in the marketplace and then either expand internationally for markets in Europe and Asia. As we mentioned earlier, we see that cost driver to do things in the cheapest place. We still see continued outsourcing in the -- our traditional

strong areas in deans and industrial and medical. But really the dependency here is to make sure there's always a strong technology presence in Silicon Valley. We think we're part of that. We think us and our fellow companies in the MS try are a big sense of why companies come here but also we depend on them to continue to grow our business as well not just here in Silicon Valley but elsewhere. So that's us in a nutshell. Thank you.

>> Thanks touch (inaudible) you've heard three fantastic stories from San José companies right there and we'll continue to go out and meet that 250 number this year, at the same time over the next couple of weeks we hope to fill the business communications position so really reengaging on the marketing push getting behind to San José and getting out there and creating more successful stories like these.

>> Councilmember Herrera: Great. Chris thank you so much for that report.

>> Kim Walesh: If I could say, I think you see why our jobs are so satisfying, we get to work with such quality people and such quality companies. It added a lot to have you here so thank you so much, I want to thank chairwoman Herrera for life I think the work that we're doing. Thank you.

>> Councilmember Herrera: I hope everyone here appreciated. I think it really breathes everything to life to have you here. Thank you so much for taking valuable time out of your businesses to come here and share your experiences here in San José and give us insight into what you are doing in your companies. It's invaluable. I'm excited to hear from my colleagues what they think of this and have questions but very, very glad to hear what you have to say. I had -- I have a couple of questions, and anybody on the panel here that wants to address them I just wanted to ask, since we get to have real companies sitting in front of us, the exciting thing too is we're hearing about manufacturing which I think we're all looking to see how can that grow in San José? Another exciting aspect is you're in South San José. You're not in the traditional area you're in. A lot of the reason you're there is because the RDA must have played a role in terms of causing your initial ability to come in there and -- but we're really glad to have you there. I wanted to know in terms of the manufacturers how do you see the outlook for growing jobs in manufacturing and do you see -- do you see South San José as a potential to continue for job growth there and how can we be competitive there anyone who wants to address that?

>> I think absolutely South San José. We're having great success right now. We've found we got a good diverse group of folks working in the manufacturing assembly line operation, and we're, as I said earlier we're hiring seven or eight a day -- a week, right now, on the assembly line. And we were concerned that we wouldn't be able to find people fast enough with our aggressive ramp throughout the year. And right now we're about a month ahead. We've got people queued up that want to work second shifts night shifts want to workday shifts. We're queuing them about a month ahead right now. What we found is when we find good people that each one of them are engendering about another five or ten good candidates. So we are finding excellent people for the workforce. They're very well trained, we're pretty well trained when they come in.

>> I'd second that what Fred said. I think the other attractive part about the South San José area is the access to the people at least in our industry that we don't really have people that can afford to make long commutes from outside the area and you know spend two or three hours on the road. They really need to kind of get in and out thereof. And a lot of them work flexible schedules. So the ability to attract people from the general area is important as well and not also have a huge traffic issue of them getting into work as we have shifts that are pretty plea size that need to start on time and as I mentioned on the supply chain side if you are missing a box if somebody doesn't show up in product out the door.

>> Councilmember Herrera: So a lot of high quality workers not too far away from where you're located is what I'm hearing you say. And so the objection I've heard in the past well that's too far away from sand hill road, too far away from the rest of Silicon Valley that isn't an issue, doesn't sound like it's an issue.

>> I don't know for my counterparts over here but for us it's more for manufacturing jobs it's access to the people that are actually doing the work, access to the people who are doing designs is important but we can get to those people who are mostly our customers. Our design activity is more in a support function. And the other part about it you know access to sand hill road, it's not that critical to us. It may be more important to these guys.

>> Not at all. Actually, we find that where it's located in South San José is again an advantage because for most people it is a countercommute. And the second thing is, it really, really is a big deal in the fact that you can get people coming down from Menlo park faster to come see us than to Redwood City. Second thing is there's room to grow. There's the good news bad news. The good news is there's lots of open real estate. The bad news is there's lots of open real estate. We're looking forward to filling up a lot of that open real estate in the next couple of years.

>> Councilmember Herrera: That's great, thank you so much. We're hearing as the recovery starts coming down the peninsula, I'm sure all our economic development folks can address that, we are starting to see people now focus on San José, obviously there's a great value, this City's open for business and we have these kind of folks working. Did you want to --

>> I would just add that it's been very easy for us to work in San José. Again, we've been able to get our permitting done almost instantaneously. When we need an inspector he's there you don't have to wait three weeks for him to show up and tell you what's wrong. They've been, the city has really worked with us to make sure we could occupy our space as quickly as possible. And from a quality of life perspective, people, we've got people coming from Morgan hill we've got them coming from San José, you've got them coming from Milpitas. From a quality of life experience, coming from San José is a real plus, people have spent less time commuting.

>> Councilmember Herrera: I've long thought this, data from real companies. What have wean pes audible I'm so -- I'm so greaser that we're seeing a rebound in people buying cars and as we were talking before the meeting, a lot of us like me have cars with lots of mileage so I think you know the automobile industry is poised to recover and we're so glad you've chose the to be in San José and continue to make that investment.

>> No, you guys are doing well, keep doing more of it.

>> Councilmember Herrera: Is there anything we can do to attract more companies more jobs because that is a big challenge is to add more jobs to San José, to reverse the jobs-housing imbalance and to create more jobs, like you guys are doing, is there anything else we need to do?

>> To get the word out, all we can say. We've had a great experience. We talked about manufacturing jobs, I think we're finding, in every other area of the country as well, engineering, software, across the board, all kinds of engineering, we're finding people driving down from further up in Silicon Valley to come down to work in South San José.

>> Councilmember Herrera: That's a reverse commute, you don't have to sit on the freeway going as long. Okay, either of my colleagues? Sam?

>> Councilmember Liccardo: Thank you all taking the time out of your busy lives and busy companies to be here. I appreciate it's a big sacrifices. Sean, you're responsible for a lot of that so thank for that I had a question for Mark. I think you had mentioned that RDA's role in helping you guys get situated in Edenvale. Obviously we're in a post-RDA world, recognize that the RDA did an awful lot for a lot of companies. Given the small but mighty force we have now could you identify for us the task force that really mattered in -- tasks that really mattered in terms of what RDA did that we can sort of incorporate having a smaller team, what we can be doing for other companies that really made a difference for you?

>> Well, I'll preface this by saying I wasn't really part of the team that was doing the activity of merging so I'm not intimately familiar with all of the activities that were going on and all the incentives. A part of it as a lot of guys mentioned make it easy to make the move and make it attractive. I think there are a lot of options for people in manufacturing all around the Silicon Valley but in a lot of places cities get in the way, make it difficult to get the permits, make it difficult to set up shot. I think in this case at least from what I understand from my colleagues it was a very easy process to migrate two different businesses into one facility. And I believe there's some you know incentive money that helped us get the facility outfitted properly so we could merge those companies together. I think that was an important consideration as well. So -- and I think it's ended up paying off by the job growth and

the amount of money we've contributed back to the city and kept in the city through the employees that we have. But I think that's -- those are kind of the key things is you know if there's money available to help people make that move, so they can -- so they don't have to invest all that capital, that's certainly attractive and I think the second thing is just stay out of the way. Or don't get in the way.

>> Councilmember Liccardo: Point well taken. And you know, Bob I think it was mentioned that you're looking to fire five or 600 employees over the next couple of years I'm not sure.

>> Next year.

>> This year.

>> Councilmember Liccardo: Thank you for that, that's fafng. All of them here in San José?

>> Yes.

>> Councilmember Liccardo: Really a question for any of you obviously we're hearing about a small retrograde movement to bring manufacturing back to Silicon Valley. Obviously the story over the last couple of decades have been very much the opposite. Recognizing Solectron, Milpitas, wherever they were I'm shocked that prototype manufacturing what's making the difference now and as you look around the world, is it just proximity to markets oop or is there something else happening ?

>> It's a couple different things one of which we're not building something with a 15% margin. We've got a practical business margin. And I think that's probably the most important thing. We're dealing with a medical device. So it's a premium product that you want to have a premium -- you want premium production on it. We've worked in tries in the past where I know I've worked in industries in the past that had 15, 20% margin. So you don't even have money you know for research and development let alone anything else.

>> Councilmember Liccardo: Right.

>> Also if you are going to do medical devices in particular or aerospace like CTS and things like that you want to be doing a quality product and you want to make sure it's under your control so you can watch it. In the last year we have got our facility in 1345 this is a gig deal. We are going through four our CE marks, we are getting the simpletO and manufacture this. That's the value. You've got a good workforce. If you know how to build product your labor component is not a big deal. When I'm talking about four hours your fully weighted cost is 100 hours, $25 an hour. When you go down to 15, 20 minutes it's $10. Are it's not -- that's a small price to pay to have something that's manufactured in United States, that you've got quality control on, you don't have to worry about your IP walking out the door or somebody setting up shop across the street with your stuff. There are a lot of other things and you're not 12 time zones away when you got a problem.

>> Councilmember Liccardo: Yes.

>> We've lived with those problems in the past. I think if you're asking what you can do for me it's keep the streamlining, the ability that we have been able to put permits and drawings downtown. People respond quickly, tersely, immediately, they're here to help, they're not here to get in the way. I really, would tell the I that's been a big thing is when we bring our drawings downtown and they pretty much said change this move that you know come back tomorrow and they're done. So that's been a big plus.

>> Councilmember Liccardo: Message received, thank you. Did you want to add?

>> I'll add a little bit to what Bob said. I think the other element that people have -- people are about ten, 15 years ago were very enamored with China and all the things China could do and the amount of money the Chinese government was throwing at people to get more things done there few locations in China for that matter. And so they're now rethinking those strategies and I think the other part of the equation that's really driven the migration back to the U.S. and in particular back to Silicon Valley a lot of things Bob mentioned plus the logistics, the customers are here. The cost of fuel is 4, 5X what it was back in those days. So certain products it's fine. You

know you want to do iPads, iPhones in China, the workforce is there the logistics cost is there but if you want to build big communications infrastructure there, it doesn't make sense at all even if the sheet metal is cheaper there, you try to put it together, it's not something you can put on a boat and have it sitting there eight, ten weeks and expect it to land in good shape. So it's one of these things where people want to do things more and more, also the responsiveness, people want to have higher levels of configuration. Things are very, very difficult to do from you know 10,000 miles away. Even some case across the border in Mexico some of those things are difficult to do as well.

>> Councilmember Liccardo: Thank you. Thank you for your insights and thank you so much for being cash out and sell their lands to a housing developer. We appreciate the fact you're creating jobs here.

>> Thank you for your support and I think that will be a great automall in the future. Thank you. .

>> Councilmember Herrera: Ash.

>> Councilmember Kalra: Thank you all for being here, thanks for the OED/RDA team. A lot of companies over the last few years and it's really been great for me to learn about some of the great people in our own backyard. One of the companies I visited was CTS, and I was just amazed are technical industry to actually -- tech industry to actually know that there was manufacturing being done in my backyard I was surprised and very pleasant surprised. There are certain types of thrive here. It won't be all of it but it will be the kind that I think we can rely on for many years to come based on the type of technologies we're thinking of. And I certainly remember going to Los Gatos to meet the that moment onward you've been inspiring. Both in terms of the technology you're developing but also as Don alluded to and asked you to make a few comments, your commitment to this country as you repeated it today, I think a lot of talking about creating jobs here and you're actually doing it in a very patriotic way and a product that's not -- that's going to improve the lives of everyone that uses it and save the lives of many. And that's I think ultimately why you do what you do. And I any we're going to see a -- I look forward to FDA approval, am European market but you know, keep on filling up those buildings down there, there's plearchlt more. And when you get FDA approval you can take half of Edenvale, if you want. We don't mind. Come

downtown, whatever you want, we have space for you we're not going to fledge you out. Of course I grew up in South San José, I grew up driving by the automall. To see it become more of a ghost town has been really sad. I think Sam hit it right there, there were comments from our team, that the temptation certainly is to cash out but I think you revived it, along with others who stuck with it and have been committed. It's so important to the city and I think it would be devastating for us to lose our primary auto mall. Squarely in the middle of San José. I think all of you have demonstrated a commitment to the city to at least make itester for you when you need to get your business done. Thank you.

>> Councilmember Oliverio: Best committee meeting ever. Thank you for participating, it's been covered very eloquently from all of our guests here today.

>> Just one note, they are making all these investments may you prosper.

>> Councilmember Herrera: One final thing. We hear about businesses and we sort of think of them in the abstract and I think it's really great today to hear people who found businesses who have dreams, vision and care about this community who are hiring people and really have that concern. Hi a business before I got on the council. I know how I felt every day about making sure my employees had a job and doing ought those things. It's great to have real live businesses great thimtion in our community so thank you very much for coming here. Staff thank you for your hard work. You are small but mighty, I'm always saying that. Emphasize on the mighty, the great work that's been done here. Before we have a motion to accept this report we do have -- are we all -- does staff have any final thing? We do have one person to speak, that is.david Wall would you come forward.

>> It is up the greatest meeting, I'd like the thank just about everybody in this room that was just before me. I would like to see for the structural format, cost of the overall outreach program, I think that's important. Especially tied in and integrated with the incentive structure, if there was any overlaps with other agencies. So that might be something to incorporate. It's good that you think choose San José, it could have been a lot worse like choose Silicon Valley. So I thank you very much for that. On a lighter note I'd like to discuss with our new friends with C 8 midmedi sensors, there if we were to attach the blood glucose monitors of the councilmembers, we could see

when they make a bad decision and give them a banana to correct their blood sugars. That should be helpful. I think there should be more thanks given to our city attorney's office and to Planning, Building, and Code Enforcement, I don't think Joe gives enough thanks. And lastly to our good friends from Del grande. I was in the market, as a matter of fact I purchased a brand-new Chevrolet silverado I went down there and found a Corvette in their disabled parking space. I asked the people here, what is this vette doing here for 45, 60,000 whatever it is, that's where we park it so people can see when they dmom in a disabled place. Can you see my silver north 5th street, the only one out there with a disabled plate. Thank you all very much.

>> Councilmember Herrera: Thank you, we need a motion to approve. All those in favor. Motion approved. Thank you very much again for --

>> Thanks for having us.

>> Councilmember Herrera: For coming. And if tours are available I'd like to sign up.

>> Welcome any time.

>> Councilmember Herrera: Thank you. I understand there's a ribbon cutting soon on C-8 medi sensors. Look forward to that. Next up is real estate streamlining. I think we have Nancy Kline and Terry Medina.

>> Madam Chair, members of the committee. Nancy Kline and Terry Medina, office of Real Estate. For some time now council has been clear we need to be strategic about rea lining our very important first step in doing that. And I just want to provide a little bit of background. Real estate has gone through a number of changes over the years. That real estate has dwindled from 31 to now nine positions and there are actually five people working. That do a number of things, one of the things that I would like very much to do is be able to share with you what real estate does. Sometimes it's one of those things in the trenches that it's not necessarily clear what staff is doing. In the last six months, what staff has done is over 69 agreements, and/or achievements, transactions, be they property acquisitions, some that are very complicated that you've heard more about,

dedications, easements, encroachments permits, franchise agreements, lease agreements, lot line adjustments maintenance requests, property management activities, relocation leases, request for research from different organizations, right of entry, and again, surplus sales and temporary construction easements. All of the work of real estate is fundamental to everything that goes on particularly in D.O.T, parks and Public Works. So though it's not threaded out, it's braided into all the other activities. If you don't have those real estate activities, none of those projects go forward. So making clear a little bit better than we have done of what we do, is pretty important. On the third page of your memo what we did and this has been an effort to outline what we have in terms of properties. We have roughly a thousand properties and the information of what categories and how those properties are identified and in fact the basic information about those were not as clearly delineated as one would hope. And it's been our goal to make sure we have very good data and we're still moving towards that so we can sell quickly and address other sat like CalTrans, Water District et cetera because they depend on us being very clear about what we do or don't have or what we can or can't do for them. As you can see broken down we have roughly 565 city operated facilities. We're not going to at this moment anyway the notion for most of those is we're not going to be selling those. Those are properties we're in. Other leases, and et cetera, 44 that are operated by noncity entities often known as the 7-1 leases. Leased properties where we're the landlord sort of the Alviso post offices is one of properties that we could sell and look for value. As well as, 275 roughly very small for the most part or nondevelopable for the most part. So that takes us to a thousand properties. Roughly. But when you really get down to it, it's really only around 150 that really could have any value. And we've estimated very roughly that somewhere between 65 and $70 million, and some of those have very difficult requirements around them, like lot E where if you sell it you got to come home with 700 parking spaces to park the police. And/or make that work. So to that end, just having that sort of information about what we can do, we have then gone back and kept in mind again the very direct council input. Why can't we be more flexible and operates like the agency? And so we really flip through the process and looked at what the agency does, why? What's legally bound and what? Our process was, eight steps one with three steps to the council for approval with many, many community meetings involved taking over a year with no distinction if it was a big property or one of those little remnants. So what we've done here is propose a process which we've been previewing on some of our work already, which really instead of taking those activities serially we make those concurrent. So we've got a lot of activities going on at the same time and we work to being as flexible in what we're trying to accomplish and we're working very closely with the

attorney's office to make sure we're grounded in the activities that we can take on. So Terry will outline for you what we're specifically talking about in the processes that we're looking at with little emphasis on process, a lot of emphasis on moving forward. This really focuses on sales and then we're also working through the other areas, leases et cetera, looking at where else could we potentially outsource, how can we continue to do things smarter and more strategically.

>> Thank you. Good afternoon, councilmembers and committee members. Terry Medina from OED real estate, as Nancy can numbers to make the day a little bit more enjoyable. As Nancy mentioned we currently have five people including myself in the office, two of which are right-of-way agents spl in termination of revenue we generate approximately 3.8 million in revenue. While our budget is for $2.9 million but it should be recognized that $1.9 million of that $2.9 is for rents and leases so our cost is really significantly less than that. As Nancy mentioned also our primary efforts include streamlining our processes reducing the time and cost needed to complete transaction, and to continue to deliver quality products. Our streamlining plan has been where broken down into five categories the first one includes surplus sales and establishing cooperative agreements with other public agencies. To that end we've recently received council approval for a cooperative agreement between the Santa Clara Valley Water District and the city, and combining documents wherever possible to make it easier and faster through the process. As Nancy also mentioned we're working on our surplus sales which I'll go through in a little bit more detail in a moment. The next area of our streamlining plan includes our records management where we're going through all the records of which there's millions literally because property records never go away, they're a permanent record. So we're going through those. The next on the list wirl be our leasing program where the city is the landlord on some properties, tenant on other properties. For landlord properties we're going to 7-1 policy. The next area will be for property acquisition and for both the permanent and temporary rights for acquisition. We'll be looking at and seeing how we can improve that process and streamline. And finally for the relocation of businesses property owners and tenants when they're displaced because of an acquisition. cooperative agreements. We are working closely right now with the VTA on the bus rapid transit and the BART projects so we're trying to come up with a way in which those pretty significant projects can be expedited and smeetd out and one of the most recent things we've accomplished is an agreement between the VTA and the city in terms of liability and risk rather than city go through the process during the construction period.

>> Very difficult to accomplish finally achieved.

>> Councilmember Liccardo: I know your pain.

>> So in the area of the sale of surplus properties as Nancy has mentioned oopth convention program of which requires three different council actions and there's no differentiation between the value of a parcel the size of a parcel or the development potential of that parcel and we thought that that was probably not practical when you are talking about the differentiation of the E lot and the fragment left over after a road widening project. Away we've tried to do is take those values into consideration what we've done in our review is looked at our best business practices that we were able to find through web, thank goodness for google. And also that the most close partner for the RDA. We looked at their process very, very closely because they certainly had a streamlined method in place. To that end what we've done is we're suggesting the creation of three separate categories. That have more appropriate sales requirements. Specifically, properties that have a value in excess of $500,000 such as the E lot the main yard the Hayes mansion, would have a separate process, much more complex certainly, much more evaluation would be required, much more public outreach, and different options that would be explored. The second area would be those properties that are less than $500,000 but can be developed. And a couple of examples of those are 460 park avenue and 510 park avenue both of which are vacant parcels but if they are of significant value to a developer within that area so we would look at some different process on that. And finally those parcels that are less than $500,000 and are not really developable, those would be those fragment parcels we mentioned earlier and also properties that are adjacent to a property owner that would expand their area by a thousand square feet or something you wouldn't necessarily go through an extensive RFP process for that particular one. The next item we are looking at is doing tasks concurrently. What we fount was there was a very serial process, where step A had to be done before step B and what we're looking at in terms of we feel that for the first step in any of these processes basically putting files together, contacting internal departments to see if there's a use for that particular property, conducting some public outreach and if necessary, and appropriate, implementing the 54222 process which is looking for any housing that maybe required, so on, so forth. We're also looking at decreasing the number of times for council review. It is a cumbersome process very

time consuming and adds significantly to the effort. So we're looking at going to council one time with the results of our efforts and recommendations and options that are available to council. Next we're looking at conducting RFIs or requests for interest instead of going through a lengthy request for proposal process. In the area of interest we can certainly put out the council policy the request in the community some ideas in terms of development of potential and let developers come back to the city and advise what they can produce and perform. We'd like to expand staff's ability to negotiate directly on sites that are unlikely to have multiple offers, especially areas that council have established a policy of what they would like to see in that particular neighborhood. We'd like to have staff be authorized to receive unsolicited offers and be able to negotiate those and come back to council an be able to again present council with the option of whether to move forward or to stop the process. Next we would like to use licensed Real Estate brokers to sell property because at this particular time we have 11 properties listed for sale and only have one agent that can do that in addition to all those other things that Nancy mentioned so there's not that many real estate offices that only have one agent with 11 properties listed so we're spread a little thin in that regard. We'd like the use external consultants we'd like to reduce the advertising period for lower value properties to just 60 days and that dwoshes essentially we'd go out to the property we'd put signage sypes that are up. We would send out notices to property owners within 300 feet of the property to advise them that the property is being for sale. We would advertise it in the Mercury News over a couple of weekends. We've even held open houses in properties in December of last year just to get more marketing potential out there. But reducing that period to 60 days would essentially result if we receive a valid offer of turning the transaction around in 120 days as compared to over a year right now. So we feel that that would be significant progress and the faster we can turn properties the more properties we can turn and whittle down those 158 to between 158 to 400 properties to get them off the books because right now they represent a nuisance in terms of maintenance requirements, weed abatement, liabilities if somebody gets injured, nuisance to the gad joining property owner and no benefit to the city specifically. Finally this would essentially create a four step process as compared to the eight step process which in and of itself as I was listening to the other speakers I kept hearing streamline streamline streamline I figured it was an introduction tower game here. There's additional information in the memo to the committee which I would like to provide but I'd like to take this opportunity to respond to any questions you have and certainly get any comments or feedback in terms of staff moving forward working with the City Attorney.

>> Councilmember Herrera: Terry, thank you. I remember talking about having this item on the agenda, when I first looked at it I thought oh come on why do we need to look at this? I realize it is a critical issue in terms of moving things forward. How much could we sell off the, if you already said that going to that category lower in value that we're trying to really streamline and so how much money would that bring in?

>> About $5 million. That would be the properties less than 500,000.

>> Request than you think we would.

>> Councilmember Herrera: Had pardons?

>> One of the issues people think of our holdings like we're much more like an Oakland or lament had a that has ports and we are not. So we need to be able to unencumber ourselves to sell what we can and get to making the most strategic deals we can on those larger holdings that we have.

>> Councilmember Herrera: Okay, if we move in both categories somehow the number $64 million is that --

>> If you combine the properties of roughly the 158 that we could sell that have value, really 20 or 30, just to be practical, that is 65 to 70 million when you combine looking possibly what could be done on Singleton what done on Hayes mansion if we can do anything on Hayes mansion those kinds of activities --

>> Councilmember Herrera: We are including Hayes Mansion?

>> Absolutely.

>> Councilmember Herrera: 5 million --

>> We're helpful have reasons to be helpful.

>> To put five more properties between now and June 30th. It will only result in about $450,000.

>> Councilmember Herrera: But I guess also what you're saying, it's not the money selling them it's amount of administrative effort in liabilities and all these things when we can't move this stuff forward. The other process? I heard BART and our --

>> BRT.

>> Councilmember Herrera: And the BRT project. Is there anything else coming coming up that we're concerned about?

>> As you'll recall the Yerba Buena project that we took 20 years to get to this level. Our concern is it delays the process on all projects. There's a limited resource and very much like a funnel effect. We have this big request and demand for work but there's very few resources we can really give it to.

>> Councilmember Herrera: As a council is there any projects that councilmembers might be aware of that moving this forward will help move those projects forward?

>> BART and BRT and Water District 2 which are also intertwined with particularly BRT and BART. Suppose it's a critical point and a point we didn't make well enough, there's some value to bring this function to the City Manager's office and that the lens of the overall economic development in particular but the City Manager's view on not getting hung up on different silos perspectives but the end goal. And has really helped us accelerate through on several of these projects.

>> Councilmember Herrera: And I think the idea of taking what we've learned in RDA because RDA has done some great things and we're all sort of saying, it's gone away but we can still look at the great things it's done but one of the things is look at it as a model of how to move forward on real estate.

>> And to that end we've certainly spoken with Richard's staff, Kelly highland, ceb Mu ABC can do even though we don't fall quote unquote under the redevelopment rubric.

>> Councilmember Herrera: My last question before I turn it over to my colleagues, unsolicited offers. I would guess that we have to have an RFP out for everything. If we don't have an RFP out, tell me have we received unsolicited offers especially on those properties we sort of wonder how would they do out in the marketplace and what can we do right now to respond to them given our current you know process?

>> So this is a great question and from trying to get things through it helps a great deal. Yes on almost all properties you've got some unabsolutessed the offers. The very specific requirements. This would allow the private side to trigger sake hey look we've got this private offer we could either negotiate directly if in particular we don't think we're going to get a lot of offers and it meets number of categories of requirements of goals that the council has parks economic development Public Works whatever, because often a single project will address many issues. And the iebilityd to negotiate directly is tienlt say yes let's just go. Because if we don't they might say you know what we don't really want to go through an RFP process and here we're interested but we're only interested if you tboaks are going to directly negotiate with us, otherwise we're not interested.

>> Exactly. That would provide you instead of going through an RFP for us turn on very specific criteria that the council would see. That would allow us to come back then and go into the ENA or exclusive negotiations agreement phase.

>> Councilmember Herrera: Can you give me just -- I don't know if you can say this but is there an example of any particular real estate out there that you might have heard unsolicited --

>> One is enhancements, it's a large property difficult to use it's a land sale how do you go about that and there are some folks who are interested but because of the relative brain damage of dealing with the issues on the site they want to know that if they do they have an assured and very defined process or could negotiate directly.

>> Councilmember Herrera: Okay, great. Who would like to ask questions? Sam.

>> Councilmember Liccardo: I really appreciate this coming forward. I know Nancy and I have had many conversations about various real estate issues and really appreciate your efforts to try and streamline this. Just so I understand clearly, the distinction between category 1 and category 2 is it fair to say that if you get an unsolicited offer in category 1 you got to go to council to determine whether or not you can negotiate solely. Category 2 staff can make the decision. Make the gloarntion and then bring it to council afterwards.

>> That's what we're seeking.

>> Councilmember Liccardo: At category 1 you could potentially be at council twice then?

>> We could.

>> Councilmember Liccardo: At lease you don't have to be there three times which we all agree is good. Great thank you.

>> Councilmember Herrera: Okay.

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Herrera: We need to cross reference.

>> Councilmember Liccardo: Hogs to approve and cross reference.

>> Kim Walesh: We need to come back.

>> Councilmember Liccardo: What she said.

>> Councilmember Herrera: I think that's his motion. All those in favor? Wait before -- hold that thought. We have I think David Wall. Would like to speak on this item.

>> I would like to thank the OED folks. This is getting out of hand. I'm thanking you every time. But you've done really well here.

>> Councilmember Herrera: I thought you were speaking against it so --

>> Well, I'm worried about it. I mean they've done well with the initial structures and I like the discussion from our real estate person here on how to proceed but the council in itself has made an egregious land use decision with reference to all those properties that were for the baseball park optioned off to Mr. Wolff, it's at $18.2 million loss plus the debt service and what have you. Should the baseball commissioner permit the A's to move. I'm on well founded ground when it comes to real estate deals when dealing with your decisions. Furthermore I think that the attorneys are getting short changed here because they're doing the lion's work. We don't see any increased salaries or cash bonuses for them. My learned councilmember from District 3, this is an excellent opportunity to shall we say convince our good friends at VTA and BART to integrate the cost of this ecopass into some of these lands deals. So we can get our Green Vision going, get the ecopass for nothing. Okay? I mean that's fair. Governments should work hand in hand. There should also be a verifiable incentive program as far as some of these deals for businesses coming in here, if they need to purchase land, and so forth. That needs to be tracked. Other than that, outside of that -- oh, the E-lot business. That property needs to be ceded to the police department. They're always finding stuff where they have to store stuff and it's a perfect location for the police. And that's an excellent use of that land for the police. That should be it, thank you.

>> Councilmember Herrera: Okay.

>> Kim Walesh: Just while he's here I just want to give kudos to Terry Medina. He joined us at the end of the summer and it's just been a huge addition to our leadership teamworking with Jamie Dixon and the team there. We've had huge in performance to manage the workload to dive in and see the areas for improvement and make those happen it's been remarkable. Thanks to Nancy for her oversight and coaching and taking on the responsibility for real estate.

>> Councilmember Herrera: Thank you. We have a motion. All those in favor? Opposed? Motion carries. We now have potential contract services with San José downtown association, Lee Wilcox and Jim Ortbal are here. And we just lost our quorum. Are we going to have it back? Okay.

>> Thank you, Madam Chair, committee members. Lee Wilcox downtown manager for the office of economic development. We're here to brief you today on potential services agreement with the downtown association. Like to go over quick bit of background and then hand it over to Jim and then back to me to talk to you about scope of services and next steps. In December of last year the Rules Committee directed the City Manager to assess and consider a recommendation for potential services agreement with the downtown association for 2012 and 2013 fiscal year. Focusing on promotions, events, marketing, and for it to be paid out of the City's parking fund. Rules Committee further directed that this process should mirror the 2012-twain budget process and final recommendations be considered as part of the adopted budget or proposed budget, sorry. Today we'd like to review background on city and agency funding to the downtown association. And assessment of the parking fund where it is today and what it's going to be used for and finally future scope of services for an agreement between the city and downtown association. The downtown association this year is receiving $250,000 from the Redevelopment Agency as the Redevelopment Agency has scaled down over the past few years that amount has gone down and it did start roughly around $800,000 has been teared back with no further agency commitments to the downtown association, believe Councilmember Liccardo, downtown association and senior leadership of the city, that would be pertinent for OED and Department of Transportation to look at what mechanisms we had to move forward. Before we get into the parking fund would I like to note, the downtown association does receive

funding for a variety of projects throughout the city. There's $70,000 a year in an agreement between the Department of Transportation and the downtown association for parking promotion. This agreement focuses on a marketing campaign to promote various parking programs, the city garages Special event and holiday advertising. And the City's downtown parking Website. In addition, downtown association is quite competitive through office of cultural affairs competitive grant program receiving nearly $60,000 a year to produce downtown ice, music in the park, starlight cinemas and the downtown doors campaign. So altogether this fiscal year downtown association will be receiving $380,000 for a variety of projects to help move downtown. The Rules and Open Government Committee directed staff to assess the City's parking fund as a potential source for this direction. To get a better accepts of where that fund is and what it's going to be used for over the next several years I'd like to hand it over to Jim Ortbal.

>> Thank you, Lee, good afternoon, members of the committee. Let me begin by giving you a little background on the parking fund its exft in that fund to fund special event promotes and parking activities. The primary purposes provide parking to people who come downtown. We also support important economic development activities, incentives, validates program and some marketing activities as well the most significant obligation that the parking fund has now currently with the redevelopment situation we have is the 4th and San Fernando garage debt. After operations and maintenance of the system are taken care of our current policies is that all remaining funds go into a debt reserve for the $3.4 million annually and that runs through fiscal year 2026-27. So we do have a number of years hey of us to retire that debt. The outstanding principal today on that garage is $35 million. We currently have funding available in the current year budget. Next fiscal year and we're well on our way to covering the debt through the 2013-14 fiscal year. So that's where we're at. We've really worked to build that reserve fund and to build the capacity to cover it. Beyond that point in time we don't have the dedicated funding sources to meet that debt obligation. We've been able to accomplish that because we've reduced costs, we've adjusted rates and we've redirected some revenue sources to the fund. The most difficult question to answer is how are we going to meet that debt service over the long term? Currently between our rate sure and our cost structure we anticipate being able to meet fairly sizable gap. Certainly if the downtown economy improves we adjust rates we improve costs an $2 million short fall out in the future years and any shortfall that we will need to cover would come from the General Fund. In terms of a little bit of background on how the parking fund and special event activity work

hand in hand in terms of promotion of those events and in terms of benefit back to the parking fund we did review six kind of important events in the downtown that are produced by both by the downtown association as well as other producers. And conclude that certain types of events, the major ones that operate over a long period of time and have high peak attendance levels create the most benefit to the parking fund. Christmas in the park, downtown ice the San José jazz festival are great examples of ones that really generate revenue to the parking fund and really have a big benefit. Other Evangelists like dieb downtown produce benefit to the parking fund. It's a lot of valuated parking, it's folks that are already in downtown. So when we looked at the event kind of breakdown there are certain ones that really create benefit to the parking system and others that don't. In terms of trying to assess what level investment ought to come from the parking fund for special event promotions we currently invest $70,000 in various types of marketing. We think continuing that and maybe reconfiguring a way that really drives more business into the downtown and the important special events could be a way to go about doing it. In addition, kind of driving down the high vacancy rate in our downtown office buildings is probably the best way to generate funds into the parking system to help meet its debt obligations and really to spur business in the downtown. So those are some of the things that we'll focus on continuing work with the Office of Economic Development and the downtown association to figure out sort of what level of parking investment should we consider for our downtown association's promotions contract. I'll turn it back to Lee to talk about a little about the scope of services.

>> Thanks, Jim. There's a variety of reasons and as we move forward, with the downtown association, through the budget process we will be looking at the parking fund possibly additional T.O.T. money and money that the Office of Economic Development might appropriate to a program like this because of the variety of goals. City staff has met with downtown association on this multiple times. Starting in December of last year. And were able to hear the doubt association's proposals really consist of two new events replacing music in the park, and two new promotional programs to support downtown. Budget constraints, are always difficult, as the Redevelopment Agency has dwindled you just heard the business outreach team, two more people from the Redevelopment Agency and really four people from OED, we've really tried to work with this committee since summer to be really strategic and prioritize what we want to do. And for downtown in September when we had this conversation with you it was really focusing on the downtown commercial vacancy rate which is roughly 26% right now. So we'd

really like to focus the scope of services on this agreement helping give us another tool to meet our goal of improving the commercial vacancy rates. The commercial vacancy rates by driving it down will have a positive trickle down effect on other supporting businesses in the downtown. And while there's numerous factors that go to a company deciding to stay in downtown or locate in downtown as we just heard from the businesses up here about a half hour ago, attraction to talent and the people who do the work is really important. And time and time again what we hear in downtown is it's easy for the PWCs the Deloittes and others to compete with the Facebook e-fabs and google to have that free food because it's an open campus. They need to do stuff to do at work and the programming that goes into downtown is just as important as the architect, streets an everything else we need to have that young professional talent pool for our companies. As such we'd like to recommend that as we develop the funding as part of the budget process that we focus the scope really on three different things. First, downtown place promotion. We'd like the downtown association to work with us on the City's downtown parking Website to redo that. Focus on program called the sounds of summer which is the marketing program to focus on bringing down other young professionals to existing live music fixings and rebranding and rebranching the online newsletter the downtown association prows. Second, continuing the business outreach and office retention program with the downtown association. We spoke in September that the Office of Economic Development and the downtown association had a joint retention program. This has been really important with less and less resources every day. So the partnership between our department and their organization being able to tackle that together has really given us some positive numbers and positive feedback from companies. And then lastly the events which was identified in Councilmember Liccardo's memorandum to Rules Committee. We'd like the downtown association to continue working on developing and implementing the events that they spoke about with a focus on our young professionals and our businesses here and continuing the success that the ice rink farmers market dine downtown and starlight cinema all add to the downtown. Because implementing and developing one of these events does take a long time, staff does see an initial investment and recommend $40,000 be made available to the downtown association as part of the 2012-2013 budget process and this will be through the office of cultural affairs special grant. It will be used specifically to do two things. One, to develop and produce a new after-work event and programming for the summer that targets the young professionals. The goal is really to strengthen the connection of the young professionals have down in downtown through the price Waterhouse Cooper I-lead conference we awe saw how important it was to connect these young pro formas to their downtown

community. We'd like the professionals to have a focus on these events live music marketing campaign for festivals and then you in connection with 1stAct Silicon Valley live music catalyst team. Again this is staff's unofficial recommendation that we will be pledging this $40,000, in addition to more money as we work with the downtown association through the budget process. So as you work with the mayor and your fellow colleagues on office of Economic Development and D.O.T. on a scope of services with the downtown association for some dollar amount in the future. For that we are ready for any questions you may have.

>> Councilmember Herrera: Thank you Lee. So the 40,000 is sort of an advance target number to have a stake in the ground?

>> With our budget process and really the summer programming we definitely want the downtown association to know that there will be some investment for them down the road we'd like them to be able to start working on that because it will be impossible for them to you know on July 15th when you guys vote on a budget to think of something to do in two weeks. It really starts well before that.

>> Councilmember Herrera: This is addressing the summer programming although they do have the RDA funding through June right now, the 250,000 now?

>> Correct.

>> Councilmember Herrera: But this will be money to advance the program the additional programming we're talking about.

>> Kim Walesh: And this money will be coming through the office of cultural affairs and hopefully be blessed by the arts commission one of the goals would be to start a new and unique event so we saw this aligned for those funds which are already budgeted for this year.

>> Councilmember Herrera: So the recommendation is we would be in the affirmative if we support this we are supporting the award of this grant? And then the rest of the discussion is going to go on to the budget process?

>> Any understanding is what the -- my understanding is what the proposal is when you approve the budget this will be included that you would be -- otherwise there is no direction to approve a grant in the item.

>> Yeah just to clarify. The initial investment of $40,000 is something that council appropriated through last year's budget and is already available to the office of cultural affairs. So Kerrie and her team will be working on that to appropriate and get that over to them starting next fiscal year. The further package that the office of next year.

>> Kim Walesh: Including potential use of parking fund for that purpose .

>> Councilmember Herrera: Thank you for that clarification. Sam.

>> Councilmember Liccardo: Thank you for the memo and the feedback and Jim I very much appreciate the serious constraints you've got in the parking fund as well, we all have but I appreciate you clarifying. Just so I understand a little better about the dollars. The $250,000 from the Redevelopment Agency, that is fully encumbered. The long arm of the governor cannot reach down and grab those dollars from Scott Knies's hands?

>> It is fully encumbered and on our enforceable obligation list. I wouldn't go so far as to say that they couldn't come back if the oversight committee decided for any reason to not -- to take away some of those funds. Now, most of it's been obligated already. We have the latest invoice and we're going to make full pam payment right up until Scott and I talked today right up until January 31st. Any work completed will are paid for.

>> Councilmember Liccardo: We feel fairly confident the money is out the door now.

>> Let me ask Kerrie to clarify.

>> Councilmember Liccardo: Thank you, Kerrie. What happens after July 1st.

>> We know that planning for special events takes some time. We would issue a special grant. This fiscal year we have this $40,000 budgeted in this fiscal year and this would give the downtown association the time they need to plan for summer programming. But the programming would be next fiscal year.

>> Councilmember Liccardo: Great, okay, so the dollars would get released in the weeks now essentially?

>> SampletAP.

>> Councilmember Liccardo: Okay. So the source of the dollars is residual T.O.T. and that's because some grants weren't used or we had better returns than we expected from the hotels?

>> Actually each year the arts commission and staff would work together to develop an arts budget for T.O.T. And we have a couple of line items that align with these particular programs that are proposed 50 downtown association. One is arts marketing so this aligns with the sounds of summer concept and the second one is how to foster and retain special events. So we have a special event incentive line item as well.

>> Councilmember Liccardo: Okay. And I appreciate all that. I guess the last question I had was, in terms of helping the downtown association understand what they can realistically program and what they can't, and I'm sure Scott will speak soon. But don't want to prompt you to speak if you don't want to, Scott. But the $40,000, if the downtown association is looking at the possibility of getting no money after that, I mean, are they really able to plan? I was anticipating, this might have just been me. I was anticipating there might have been at least some sort of vetting of what the staff is likely to recommend in the next fiscal year. Obviously, recognize you wouldn't need council approval, have to go through the budget process but at least give somebody the assurance, this is something we think we can probably plan toward. Has there been any kind of -- is it possible for the staff to give that kind of indication?

>> Kim Walesh: Well, we've been in conversation. We have a need to focus because our budget proposals are due at the end of this week to start our internal process. You know realistically the amount that they've been receiving of the 250,000 plus an additional 70,000, we don't think will be able to achieve in terms of the goal of keeping them whole is probably not realistic. But we are going to put together a proposal that we think is justified in terms of how the resources are used and acknowledges that they're an extremely important partner to us and they're in transition also and we want to continue to support their work.

>> Councilmember Liccardo: Okay. Okay, well I look forward to hearing if Scott's more interested in speaking I'm interested in hearing. I'm not sure how much communication happened. I appreciate the fact that there's been some effort here to be -- find a creative way to at least help them get the planning started. And I'm hopeful that we can sort of move forward with some kind of clear understanding and expectations about what's likely to be there. So nobody feels like they can't take up the risk.

>> Councilmember Herrera: Pierluigi.

>> Councilmember Oliverio: Thank you. The fourth street garage what's that occupancy level? Any idea on it?

>> It varies councilmember. Depending on whether San José State's in session or not. Different types of events are going on. We're probably running about a 50% occupancy in that garage.

>> Councilmember Oliverio: And then, certainly if as part of what the council passed were some parking incentives for businesses that technically could be some of those spaces reserved for that incentive?

>> Unfortunately, that particular garage has private activity limitations because of the tax exempt status of the bonds that were issued. And I think with flames and the rotary and other things, I think it's at its limit. Ed you'd probably know better than I but my sense is we've really reached the max action of private activity leasing we can do. It's not included in our parking system long term we don't in that one we do have a good program working with San José State for semester parking that has brought in a fair amount of business so we've improved revenues.

>> Councilmember Oliverio: Staying on that with San José State that's an individual parking pass I can bias a student and seems like a good value actually from when I went to San José State. It doesn't sound like it's incede write high. Is there any opportunities because of San José State's a public institution where you could lease them a floor?

>> In terms of whether that would violate the kind of the legal private participation, Ed you'd know better than I.

>> Private activity quite a bit whf we're issuing bonds. The IRS rules require that if a project ask a government sponsored project it's got to be used for a government public purpose. There's very limited exception for private use and as Jim indicated the private use of that building is probably already maxed out with the private use of the restaurant.

>> Councilmember Oliverio: What about the public use of a university?

>> The question is whether or not another government agency can use the City's use for parking and I don't know if we've looked at that particular issue. There's also parking rate covenants that are part of it that the city can't charge less than a certain amount that's necessary to pay debt service. So that's something that we could look at to determine whether or not the covenants that we have on the bond would allow us to lease it out to another government agency.

>> Councilmember Oliverio: I think it's important to note too that the way the debt was issued is on the entire system, not just on the fourth street garage. Not how that garage performance how the entire system performance including the meters all of our garages all of our lots as green light that it was legal do you think there's a gun interest from anyone in San José State to have a floor of parking whether it's the university administration or --

>> Certainly a couple of years ago I think it was there councilmember when they were looking at building another parking structure in their south campus area. I think they've done a number of things to maybe try and reduce

parking demand, they've capped their attendance levels. We'valities been wrilings to work with partners in the university to generate legal and it made sense for both entities, we're looking for business. Our parking incentive program we've entered into some 80 different leases. About give them are new companies, and entities coming into our downtown. So we are open for business, and looking for business.

>> Councilmember Oliverio: And my reason for the questioning is as you mentioned we have eventually are going to be having the debt service, relying on the General Fund. So if there is an opportunity to do something different could that minimize the amount of impact, but you know it looks like the City Attorney would have to research it and find out the public institution would have the exemption. But I would just simply say if it's okay whoever makes the motion could that be something to sort of go look at and answer that question?

>> Councilmember Herrera: Can you make that motion.

>> Councilmember Liccardo: I can make that motion.

>> Councilmember Oliverio: Second.

>> Councilmember Liccardo: Great suggestion. I just want to point out I'm not sure, the big incoming freshman class, they seem to be letting in more and more students for whatever reason so I think there's an opportunity.

>> Councilmember Herrera: And students from here and students from outside. More students. Okay, we have -- Scott did you want to speak?

>> I have Jerry Wong's card right here. Had to leave, appointment. Like to thank the committee and the staff for all the extra attention they've given this. This is one of the consequences of the wind-down of redevelopment. We're making this transition from the RDA side of the house, working with our partners at OED, Department of Transportation. And in many ways, we, a year ago, have reevaluated our value proposition. Last year we were cut 62% in our redevelopment contract from $650,000 down to $250,000. We really feel that the

suite of services that we propose are really at the bare minimum here and we're hopeful that we can make the correlation. We know that this committee, that the mayor especially wants to see the numbers. We think there is a direct relationship to the parking fund. Most of the revenues from the parking fund and most of the tickets to the General Fund are from our customers or from our employees in the count with the downtown garages, with the on-street parking spaces there. And as Jim said the biggest revenue enhancement we can make to the parking fund is to fill up our B and C buildings which then need to lease space in our city parking garages. If we can do that we think we can make a good case for here and hopefully get closer to whole. Thank you.

>> Councilmember Herrera: Thank you Scott. Pierluigi.

>> Councilmember Oliverio: One more question and this might be upsetting. I think the outstanding debt on the garage is 30 million.

>> 35 million in principal.

>> Councilmember Oliverio: And just out of curiosity, what would be, if someone wanted to procure the garage is the market rate more than what we paid, the building mosh what we owe right now?

>> I suspect not. No, would I say no.

>> Councilmember Oliverio: So how much does it cost to build a garage approximately?

>> If my recollection serves me correctly I think it was -- we issued about $48 million in bonds, the Redevelopment Agency and the financing authority, somewhere in that neighborhood to build the flames, the park structure? The banquet center. First class parking facility.

>> Councilmember Oliverio: No, it is beautiful but I'm just curious. Even though we paid it down a fair amount so far it's still -- it's still more expensive than the sale price?

>> It's like your house. Those early years you pay interest and now we're getting into a period where we're certainly paying a lot more principal on it, starting to drive down the principal. We still have a number of years to go on that councilmember.

>> Councilmember Oliverio: Just a strategic question, pes throw that out there so thank you.

>> Councilmember Herrera: Don't think the sale of that can help us too much now but I just want to say one thing before we have another speaker and we vote on this, how important these cultural facilities and these things we are doing downtown are. I want to thank the downtown association for all their efforts and the office of cultural affairs and the Office of Economic Development. This is aan activities so I just want to go on the record as saying how much I support that and we need to find a way working with them to continue these really important activities downtown, because they go hand in hand. We're not going to get jobs and keep companies down here if we don't continue these really important programs. So --

>> Councilmember Liccardo: I had something as well. I know for the millions of viewing residents. I think it's real -- I really appreciate the comments made by our chair. I agree wholeheartedly but also the context that's important here is that downtown association I recognize in talking with the city that you know music in the park didn't meet our mutual goals as it existed recently. And as a result they're taking significant risk to discontinue that program to start a whole new set of programs which takes an awful lot of thinking, an awful lot of effort to generate audiences, new audiences. And obviously, new ideas that are going to draw it in and that kind of risk obviously requires significant investment at a time when I recognize no one has the money. So I know the folks who may not be familiar with the general situation may be wondering why we make these investments. This is really critical for us to be able to take downtown to the next level. Thank you.

>> Councilmember Herrera: I think David Wall wanted to speak on this item, too.

>> First I'd like to thank our friend, our good friend from the downtown business association for a lot of things that he doesn't get thanked for. But I feel that the structure of this agreement is very bad. It's not sustainable. And to sustain the downtown business association, a whole new model of dealing directly with the association, versus a third party entity called cultural affairs. You only there so many dollars in the T.O.T. budget. And it makes no sense to me to have the office of cultural affairs acting as a broker for money that has been in my opinion strong-armed from the hotel people to give back to the downtown business association to help the hotel people. In other words, cut out the middle person, the middleman. If the downtown business association could utilize what's left or the employees of the cultural affairs as independent contractors, that's a different matter for them to pursue. But to have the downtown business association have to petition for a grant from cultural affairs, from that money, that makes no economic sense. The use of 1stAct of Silicon Valley also is very dubious. Without the gift that the council gave this group with reference to the Mexican heritage plaza funding this group would have probably gone belly up financially. In addition they should change their name to 1stAct of San José. There are a lot of problems. I support the downtown business association but I don't support this funding scenario. And no money should be taken away from D.O.T. They have enough problems with our streets, that you all are very well aware of. Thank you.

>> Councilmember Herrera: Okay any other comments or questions? We have a motion on the floor. All those in favor? All those opposed, motion carries. Okay and we're on we have one more item on our agenda and that is update on incubator transition plan. And we're going to hear from Richard Keet.

>> Thank you. And I'm distributing although I met with all the individual councilmembers, to get them the RFI, the request for for the San José invocation center. I'll make this quick for the last -- on December 13th, we had a joint city council-agency meeting where the agency board directed staff to take a good look at our incubator program, especially as the biocenter and the innovation center leases have still some time before they expire, as you recall the biocenter expires in August 2012, this year. And the innovation center expires in September 2013. The request for interest went out on Friday, January 13th, Friday the 13th. And it's been posted on our home page. One of the things, we'll also make sure that it's on the chewsan José I think on the home page of San José as well. Of critical importance we sent it out to 144 venture exalts. Capitalists. Those venture firms were selected

primarily because they've shown interest in the past in San José companies. We, Jennifer Chen and I have worked very closely with Kim and Lee from the Office of Economic Development to assemble what we think is a really good list to get the word out as quickly as we can and as best we can. The RFI is not due No. February 27th so we still have time, if anyone else is -- that can add partners that we could send it out to, we'd be glad to do so. We also sent it out to the San José State university research foundation, Humboldt, Carnegie Mellon business journal that just came out on incubators and accelerators and there's very little difference in the terminology. How they're operated is very diverse, and we wanted to hit all programs. To that end also we sent the RFI out to Y Conbinator and the Y come bin eighthor, accelerated business business wide as the business journal pointed out. So we think we had a pretty good distribution as I said we are certainly open to looking at a further way to distribute that. And, we're also going to folt up with phone calls, after they get them, to an -- if anyone has questions for us, we'll be glad to discuss that. We did also put out a request to anybody that wanted to look at the building, the innovation center downtown and for a tour on the 20th and 23rd and nobody came forward at that time. If anyone has any requests we'll be available to look at the building. Fortunately it's a block away from City Hall and very convenient. Jen and I can have full access to the building all three floors and we'll get people in there. Because I think the impressive part of the building is the conference rooms, and the training room, with all the modern facilities that they afford. On moving along, I also distributed the -- one of the requests was what was their capital equipment list for the biocenter? And so we put that forward, and most of this equipment was actually -- it varies from year. We've provided equipment over the last six years, and so some of this equipment is six years old. And although we didn't give you individual prices they're in order of magnitude, number 1, the nuclear resonance spectrometer I just wanted to say that, was the most expensive piece of equipment. I don't know what it does but it sounds very impressive. But in seriousness all these pieces of equipment have been very valuable to the center and have made this biocenter I think a truly phenomenal facility over the year. The acquisition cost sum total was a little over $1 million. We did a straight line depreciation of $630,000 getting an estimated value of $420,000. We have not gone to any scientific experts to see in reality what these have dropped to but the important part is once the lease is up we will either put them on the market for sale or, if we have a valid user of the biocenter whether it be the existing organization, the San José State university research foundation, or Carl berg decides to operate the center, we will work out some kind of plan and bring that back to council. We believe that maybe some of these pieces of equipment have depreciated even more than the straight-line depreciation

because scientific equipment changes so dramatically over the years. But we wanted to give you some idea of the value of these products. And we gave actually pictures of everything but the freezers which looked like your home refrigerator freezer they just go down to minus 86∞ sent great. The other important point is that I did have a discussion, right before the holidays, with Carl berg, on his thoughts. And he -- the only thing he asked for in thinking through this was the -- what were the financials for the existing biocenter incubator. We provided him with the annual report, and I still have not received word on his thinking. Obviously, you've probably, if you did see in the -- I'm sorry in the business journal, the previous edition, his whole rete for, if he didn't disclose it, $1.8 billion. The Real Estate thought it was $1.1 billion, he's committed to selling the entire Reit can, is not going to several years ago when he first put it on the market he did take the biocenter out of the portfolio, those three buildings that are adjacent to it. I have a request in to him to find out if that's the case now. My guess is no. But I haven't confirmed that. He was very interested in just, as the article said, in looking at his venture capital side of the world and getting out of real estate that he's been doing for the last 40 years. So to that end we're working, will keep working through this process to hopefully find, or have the existing users find ways to offset some of the cost of the downtown innovation center or all of it, if possible, and to see what the transition will be for the biocenter. We're of course very concerned with the existing companies that are in there and the possible down side is that some of these companies could leave San José which I think would be a real travesty and counterproductive to what we've tried to do, accomplish over the last years of both facilities and being a funder for the various incubators and the entrepreneur center as well. So with that, by far, the work is not complete, but I think we're off to a really good start and continue to look for your direction. And again, I will thank Kim and Lee to help Jen and I through this process as we've had very little time as you can imagine under this last four weeks, as the dissolution is coming closer and closer to fruition.

>> Councilmember Herrera: Thank you very much Richard for your report. Just had a couple of comments and questions. In terms of if we just look at the innovation center downtown, the RFI that has gone out, I just want to say I have heard from Mary Sydney that they will put in a response to the RFI, San José State is planning to respond to that, can you look forward to receiving that. I want to thank my colleague Councilmember Liccardo to request the RFI, I think it's important to cast a net in terms of what we can do in terms of the innovation center. I do have some concern in terms of who we're sending this to in that it may be more of a case that some of those

companies wanting to look at what's in our incubator and oog genuinely interested in expanding into San José. So it will be interesting, for example, Y combinator I don't want to create a hunting lift and start as opposed to bringing new value and setting up something else here. I'm not sure what our response will be. I hope some of that will be frufl but san José will come forward with. So hopefully, whatever we have it will continue to build companies here, in the innovation center as opposed to our companies being lured to go somewhere else. Which is kind of my concern. So we'll see how this moves forward. In terms of the biocenter, I know also, I asked some specific questions to Mary about that. And she is in negotiations for looking at a lease renewal. So that that is where they're at right now. Looking at trying to renew that lease. And obviously those kinds of negotiations, you know the details of those are not really going to be public until something's concluded. But I think they're looking at a pretty short time frame, because in the next few weeks, very shortly, decisions have to be made. Because we're running up against a pretty serious deadline in June. So I think there's going to be some more information on that. The progress of those. And other alternatives are working on I know that there is a couple of different proposals that are being worked on, including another company that's looking at investment. And I've mentioned that in the past. That company does not want to be public right now. There's ongoing discussions so I think it's a question of renewing a lease or possibly looking at a new site. So those are the kind of two options and I think there will be more light shed on that in the next few weeks. And colleagues do you have anything you want to ask on that?

>> Councilmember Liccardo: Thank you, thanks Richard about anticipating my question about the outreach. I appreciate you've been exhausted and reaching out to so many organizations, and I'm sure you can anticipate I sent you an e-mail over the weekend, the one question I had was the impression that someone might have coming in that they have to accept this subject to the sublease. And that they wouldn't be able to manage this themselves, that they would be accepting that there would be another entity managing or subleasing. Is there anything in like a cover document or anything like that, that kind of conveys to anybody who's interested that hey, there -- this is essentially yours if you are interested or -- is.

>> I don't think there's anything that explicit but that's a good point and we could certainly discuss that once we get letters of interest, are people interested in taking the whole building down or just the floor. We try keep it as

open as possible. I think at this point, that's my intention, anyway. I think to do that. Frankly we don't have a clue what the response will be.

>> Councilmember Liccardo: At this point nobody's beating the doors down.

>> No, but we have gotten a few calls, not to see the building but just to ask a few basic questions and one was that very question, do I have to take the whole building or the floor. Kim did you get any calls?

>> Kim Walesh: Well in advance we had talked about once the RFI was out, we are getting questions or concerns or feedback from one or more that we could then provide the clarification back to everybody either on the Website or by sending an e-mail out. So if this or other clarification areas come up, that's sometimes appropriate to do, to say the question has been asked and then put the information out there before the responses start coming in, so people have the benefit of the answer.

>> Councilmember Liccardo: So we are capable of saying, because I don't know exactly what the status of our agreement with San José State university research foundation or Humboldt. But can we affirmatively say, look, if you're an entity a university or somebody that wants to take it over, you can take it without being subjected to whatever existing sublease agreements we have?

>> Right, definitely because they actually expire.

>> Councilmember Herrera: June 30.

>> June anyway. They wouldn't be encumbered to do that.

>> Councilmember Liccardo: I just want to be clear that we're able to do that. If we are able to do that I hope that's a message we do convey, because obviously nobody wants to walk into a turf battle with another organization. Thank you. I see Nancy jumping to her feet.

>> Quick note talking to Mark Giovanetti, once you get it goes back to all. So it would be very appropriate to draft something which -- and that could be done in the next couple of days just clarify that point to make it as flexible to have as many possible suitors as we could.

>> Councilmember Herrera: And how many have responded so far?

>> Nobody.

>> Councilmember Herrera: Nobody, okay.

>> Clarify make sure I understand your question. The foundation still manages the program. They still have the opportunity moving out of the innovation center. If they would like to. They're talking about keeping the companies there having another management team coming in and working the existing companies. I'm not sure that is something we can actually given affirmative answer to. Because the companies are -- actually have direct contracts with the foundation. That (inaudible).

>> Councilmember Liccardo: Yeah so I guess what I'd hoped would happen over the last few months is we would have a sit-down with San José or Humboldt and say look you guys recognize we need help from outside organizations. If someone from sand hill road wants to come down here and run these can we agree that we'll allow them to move in without being subject to whatever prior agreements there may have been for management or administration programs, that we can simply have other folks move in, and I was kind of hoping that's the path we were going. Because frankly, I can't imagine anybody being interested in coming in, recognizing that somebody else was going to be running the show. No VC would want that, no university would want that no incubator would want that. So I wouldn't expect we'd get any interest if the deal is, come in and pay the rent but someone else is going to decide what happens.

>> Councilmember Herrera: I think the point is, though, we don't have control over the relationship and the agreements that are -- exist right now between the companies that are in the innovation center and San José State research development corp.

>> Councilmember Liccardo: We do. We have a partnership agreement with San José State university research foundation. And the idea is we would sit down with our partners and talk about the future of what happens at these buildings.

>> Councilmember Herrera: Can we get a clarification? Because I think there's a funnel fundamental -- fundamental --

>> Kim Walesh: Our agreement with San José State expires June 30th. So we have total freedom to do a different sublease with another entity if we so choose rather than extending the sublease or the agreement with San José State. We can if we wanted to bring in a totally different incubator or set of entrepreneurial support activities or even release the building to some hot start up company we can make a decision to do that.

>> Councilmember Herrera: Kim, that agreement is with the building, that is a real estate relationship, correct?

>> That's correct.

>> Councilmember Herrera: That's not a relationship with each one of those companies.

>> Kim Walesh: No no no.

>> Councilmember Herrera: I just wanted to clarify that.

>> Kim Walesh: Our feeling was if an outside funder or operator was coming in and interested in funding the sponsor say the U.S. Mac or environmental business cluster, they would with EBC or San José State.

>> Councilmember Liccardo: Okay, I think I get it. Okay, well I guess I'm not --

>> Kim Walesh: They would have to come in with their conversation about that.

>> Both the foundations are aware that if somebody came in, took over the building, to put hopefully a use that the City's interested in having that they would have to move out. I mean, that -- whether you think if anyone thinks that's a good or bad thing, it's beside the point. They know there's some risk there.

>> Councilmember Liccardo: Okay.

>> But they're also looking as well to try to find funding to stay.

>> Councilmember Herrera: I think the good thing is that they're going to respond with an RFI to talk about the future and how they want to go forward which I think's really positive, San José State is going to come forward with their proposal and you know I think we'll be able to see whether or not that's going to -- that that can happen. Also their university president will have to weigh in on that too. So there's a whole process that's going to happen. I think that will unfold fairly quickly and if there's an issue there I think then there would have to be further discussions with this -- with city staff as to what the alternatives would be. But I think they're in the process now of going through that thinking, and putting their proposal together. So we'll soon find out what they have in mind in terms of going forward in the future. Pierluigi, did you have any comment?

>> Councilmember Oliverio: No.

>> Councilmember Herrera: So I need a motion to approve the report.

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Herrera: Second? All those in favor say I'm, motion passes and we are at open forum. David Wall. You know what I apologize David I think you might have wanted to speak on this last item.

>> David Wall: No.

>> Councilmember Herrera: You didn't? I didn't mess it up. Open forum.

>> That innovation center -- I want to read something into the record. This is from the November 15th, 2011, city council agenda item number 2.9. This is in reference to the lease agreement with Cirque du Soleil. On page 3, quote, the Office of Economic Development has estimated the potential economic impact of Cirque du Soleil's San José production to be $20 million using the methodology developed for the analysis of economic and fiscal impact of cultural and supporting events in San José, as an economic tool which was accepted by council on April 10th, 2007. This conservative methodology measures only the impact of visit ears from outside of San José, attending Cirque du Soleil excluding any economic impact provided by San José residents attending the performances. Close quotes. These estimates that are referenced by this methodology are troublesome. I personally don't believe $20 million is going to be generated locally or whatever. As a function, as referenced by this methodology that council approved. Back in 2007. I'm not blaming the OED folks. I just think that this methodology may have been fine back in 2007. That's just a guess. I don't think it's appropriate to use it now. And in closing, my new found hero, Lew Wolff, going to quote him. This goes right to Councilmember Oliverio. Performance is relatively simple to measure. And performance is what counts period, close quotes. Taken when he had his Redevelopment Agency bashing back in 2003 because he wasn't making I guess any money off of them but since then he's done pretty well, I think. But that quote on performance should apply to everything you do. And I think it's fair that I use that for your performance here at CED, I think that's fair and I'm going to do that. Thank you.

>> Councilmember Herrera: Okay. Meeting is adjourned.