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>> Councilmember Pyle: Gentlemen we do have a quorum. And we're going to begin our Community and Economic Development committee meeting. I'd like to begin with call to order. Are you in order? I think they're in order. Yes.

>> Councilmember Liccardo: Relatively.

>> Councilmember Pyle: A review of the work plan tells us that there's one item that's been deferred, that has to do with the banners. Other than that we're pretty much ready to go and Paul are you ready to give your verbal report? Oh, yes. Move to approve. Deferral.

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Pyle: All those in favor. Thank you for being so on it.

>> Paul Krutko: Keeps me in line. Thank you, Madam Chair. Yes, I have a brief verbal report on some of the activities that have been going on in the administration supporting our economic development program. So a couple of things -- and some of these are definitely -- we do much of our work together with the RDA. Some of the work RDA is restricted in a geography way so it's the administration has to handle those items completely. But on the traction side couple of things we want to call to your attention. A provider of silicon wafer, Silicon Quest, is moving to San José from Santa Clara. They closed escrow on their building and are proceeding through STI. KSM mwhich is a company based in Korea and sells mechanical sealing and welded metal bellows is opening a 15,000 sales and assembly operation in San José. I think you know that Akeena solar has signed a lease for 35,000 feet on Ringland. And later today you're going to hear, we have a whole item, Nancy is here as well as represents of the San Pedro market. In the report that I'll put out later there's a real tight summary about the progress we've made. But I won't talk about that, we'll talk about that in a while. On retention, we're working with a biofuels company, and this is a little new area for -- I think for the staff. We haven't been really aggressive in the past in pursuing industrial revenue bond financing for projects because we haven't had appropriate candidates. But we've built that capacity. We're working in partnership with -- it's one of my professional groups,

the California association of local economic development. They have a subsidiary that does this kind of financing, and we're looking at that pretty aggressive. On the auto dealer front, we've got a dealer on Capitol that wants to expand on five acres of vacant land, so expansion there. What we want to share with you is that dealer is expressing strong confidence in Capitol, and really said to us -- share with you -- the hope that we would not permit nonauto uses on Capitol. That was the message we got. Supermicro is a company that has been in San José long time. 656 employees. The good news there is we've -- it's a relationship that I'm going to really acknowledge Nancy here, Nancy has worked for years fostering a relationship with them, and that's paying off. It's paid off over the years. But recently, they purchased three buildings adjacent to their existing Rock Avenue headquarters, 167,000 square feet, and they're anticipating adding 300 to 400 new employees so that's a real good-news story. In touching some of your districts on retail, we've been working real hard over almost five years on the Almaden 85 site which it touches Vice Mayor Chirco's district as well as Chairperson Pyle's district. Good news, they have filed the appropriate zoning permits that will allow them to break ground in 2011. So we're very pleased about that. Same property owner, Mr. Eli Rinehart, if Councilmember Herrera was here, we've been working pretty aggressively with him at another site, Almaden and Evergreen. And as you know, he moved forward with the development at the next-door property, the FMC property. As sort of a plug for the team, the relationship-building with Mr. Rinehart had been something that's been very important, because he had numbers of holdings in San José and had been not moving them towards development, so this is all really, really good news. On the grant side, one last thing I think I'm prepared to share with you, other than reminding me of something else, is that we continue to pursue grants, particularly in the dislocated worker area. So we've just recently applied for funding for \$3 million of national emergency grant funding that is specifically targeted to laid off public sector workers. This was funding that they made available through Congress to really deal with unemployment in the public sector. So we're pursuing that. Lastly, and there's going to be a lot more in sort of what I sent to you later. Just a reminder: We sent you one e-mail, we recalled it, we sent you another e-mail, gave you the schedule for the upcoming ZeroOne festival. And I would encourage you to participate in that. The thrust of that whole event for us is, we want to distinguish ourselves international, and what we really focused on was art and technology, great partnerships with Connie Martinez and 1stAct, ZeroOne board, all of that. So once again, we're going to be doing a display using the rotunda, but there's way more to that, as those of you who have seen ZeroOne in the past. Some of it is a little edgy, but as I remind some people when the impressionists started

painting that was a new technology. They had never put synthetic paints in tubes before. Which has allowed them to go out. And so we think letting them use computer technology and cell phones and everything else is maybe a new pallet, if you will. So Madam Chair that's the end of my report.

>> Councilmember Pyle: Thank you. I had a quick question. In reference to the grants for the dislocated workers. You mentioned a figure I didn't quite catch.

>> Paul Krutko: This particular grant is \$3 million. We did, just to amplify that a little bit, I think we already reported to you that we got funding, \$5 million of funding to work on summer youth, but also to deal with the 500 NUMMI employees that live in the San José territory. All of the -- we have the workforce boards on the Bay Area, there are a number of them, all had NUMMI effects, both from people that lived in their geography, but also the supplier community that served that. So we got money for that and for the summer youth program that we've been running, so --

>> Councilmember Pyle: Thank you, good work, terrific. We're ready to move on now to reports. And I would like to begin with Rick Doyle who is going to give us -- wait a minute, it is Doyle, yes. He is not here but Ed Moran is so a report on the affordable housing project.

>> Councilmember Liccardo: Even better.

>> Councilmember Pyle: Even better.

>> The next item on the committee agenda was the outreach plan for affordable housing projects and basically it is a follow-up to a discussion that the committee had back in September. And there were some issues that were still outstanding from that discussion that we wanted to give the committee an opportunity to have follow-up questions. And the follow-up questions primarily came from Councilmember Liccardo. So we have had some discussions with Councilmember Liccardo, Shasta Green from our office is here, and we can give you a general

overview what we said back in September and then follow up with some additional information that we have. So we'll take questions to the extent the committee has additional follow-up questions you want to ask.

>> Good afternoon, councilmembers. Let me start by just framing this. In general, under state law is, as well as to some degree under federal fair housing laws, we need to treat affordable projects and market rate projects in the same manner, and not behave in a discriminatory manner. And this is in how our ordinances are written and also how they're administered. So when we look at sort of the broad scope of adding requirements to projects, we try and help the council see highway to develop an even handed policy, that won't run afoul of these laws. And so that's what the research an this sort of ongoing conversation has been about. I think that that's really enough background but I'm happy to entertain questions.

>> Councilmember Liccardo: Thank you. I -- Shasta, thank you for all your hard work on this. I know we've had conversations by e-mail and also myself and Rick have as well so I appreciate the fact these are not simple issues to deal with. It sounds as though we may be able to move to a point where we can say at least after an approval is given, or there's no longer a decision that hangs in the balance, that we can't give notice to a community if what we originally told them about what their development was going to be, and this is not just affordable or market rate or whatever the aspect of the home was purporting to be when we first went to them, if we learned subsequently that it isn't what we purported it to be, that we can require the developer to say, okay, community, this is really what happened. As long as there was not a decision from the council or the planning director that hangs in the balance, is that true?

>> Thank you, councilmember. I think that's essentially what we discussed. What we talked about is the possibility of putting forward an ordinance that would put a notice requirement on developments that have been through all of their approvals and then, want to convert from for-sale to rental or from rental to for-sale. So this would, at least in our discussion stage, be a requirement on the developer to notify the developer's neighbors when they're undergoing that kind of a conversion.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: I guess my question is, and I apologize for coming in late. I don't know if there was any discussion on this before I got in here. I think there's always a concern about knowing what's going to happen and get in proper noticing. I've certainly been in a few land use issues since I have been in office where there was great concern about proper notification and process. I guess my concern on this, though, is what expectation will we create by noticing them for some kind of action? So I guess I want to know understand more, noticing them is one thing. Are they going to have some expectation that we would be able to change anything there? I don't want to create a false expectation that because a community is notified, for example, of a market rate property going to affordable, then that notification gives them some sort of belief that they can have it changed. Because I think proper notification is very important, but so is setting proper expectations. But if we send out a message that sends an expectation that is unrealistic, I think then we may do harm. So I totally get the idea of informing. But I think we need to be very careful about how we do that so that we are not sort of accelerating people's beliefs that they can turn back something they really can't.

>> Correct, and I think that that's the issue that would need to be addressed to the extent that we had direction to go back and try to consider the type of noticing. Because in the discussions we've had in the past, the question is at what point would this noticing occur? Clearly, there are noticing requirements that the city imposes on any type of development and clearly there are public notices that go out whenever there is a project that's going to be approved by the council in open session. And so this would be an additional noticing requirement, and based on the conversations that we've had with Councilmember Liccardo, after all of the approvals have occurred. But clearly your issue of the expectation would then arise because all of the approvals have then occurred, what would be the outcome of the noticing requirement that would then be made to the public with regard to a conversion? And in most case cases, the way a condo conversion occurs is when somebody is planning to create a condo project, they go in and get a condo approved, a map approved. But they don't have to actually sell the units, they can rent them out. But since they already have a condo map, they can at any point thereafter start selling the units. However, to the extent that a project starts out as a rental project without a condo map, there are state laws and city procedures that have to occur before they can convert that particular rental project into a condo. So this particular proposal that we've discussed is a new noticing requirement. But again, as Shasta

indicated, it has to apply across the board to both projects that have affordable units and projects that are simply market rate. So the concept as I said is simply a concept at this point. It hasn't really been fleshed out with planning department. Housing was aware of it but we haven't really had significant discussions with housing to determine what the impact would be of such a notice. However, that's why we wanted to bring it back for discussion. So that the committee was aware of what our thinking had been with regard to the discussions since the last time we had the discussion it was in committee.

>> Councilmember Herrera: And continuing, I really support Councilmember Liccardo's concern about this, and I'm sure he is going to have some ways to address my concern just on the expectation of it.

>> Councilmember Liccardo: That's why we have smarter people figuring that out.

>> Councilmember Herrera: You're pretty smart, too.

>> I think the discussion today will lead us to have further discussions. As I said, planning really hasn't weighed in on this, and I'm sure Leslye has her comments. And so we need to flesh it out to see if there's a proposal that we can bring back, once we get a direction that that's what the committee would like us to look at.

>> Councilmember Herrera: And the other thing is, I was thinking is, perhaps when these projects first are -- when we go through the first community outreach and disclosure, do we discuss all the possibilities? For example, what you were saying, that you could have -- it could go from market to affordable, or they have a map, they may start off renting and then they would, or start off -- I can't remember which way you said --

>> They start off with a condo map, and they could start renting it, and then sell it.

>> Councilmember Herrera: Start of with a condo map and then they could rent them, not the reverse, right? So if people could sort of get more of an explanation at the beginning what could happen, then perhaps they would feel less surprised by, and outcomes at the end of it so --

>> Leslye Krutko: If I could, Leslye Krutko, director of housing. This is really a time and place issue. This has been an issue because of the current economy. So we had projects that were originally largely planned for ownership that switched to rental. And one case where this became an issue, it was an affordable project. But there have been several that were market rate ownership that converted to market rate rental for a temporary period of time. I think that we have a number of concerns about this, and we have expressed in before to this committee. That we want to make sure that we don't develop a policy that discriminates against lower-income people. And there is a real concern for fair housing. And I think if we move forward, if the committee desires and the council desires that we really do look at this further, we are concerned about enforcement. We understand the possibility that we would make this policy not just affect affordable housing, which is where it started, but instead affect all development. But I don't know where we get the enforcement tool, and that would be why we bring Planning in. Because we don't zone for tenure. It really is up to the developer. We zone a project for the way it looks. And most of our rental projects are designed with condo maps to convert at a later date, and so there really is nothing that we can require. We can put it in a policy and put it in an ordinance and tell people, that's what's expected of you, but I don't know what our enforcement is if they don't do it. So those are just some of our worries about how this would work. Again, understand the concern. I'm just not sure if we're designing a policy for a time and place for something that is just really not going to happen much in the future here.

>> Perhaps I could offer some clarification.

>> Councilmember Pyle: Sure.

>> And just before we get too far along the path, I want to clarify that the -- at least so far in discussion the policy we're talking about is a policy that primarily requires notice on conversion. Ten-year conversion. So rental to for-sale and vice versa, as opposed to market to affordable. I think that that's a lot more questionable in terms of having issues come up in the way that we've discussed. And so we haven't looked at that. We looked at a notice requirement for tenure change that would come into effect after all the approvals and before the units were offered either for sale or for rental. And it would basically follow the city's goals of transparency. So it would be a

requirement that the developer notify their neighbors. For example, perhaps, if we're going rental to for sale, some of the neighbors may be very anxious to know, and they may want to purchase in the project. If we're going the other way, then the neighbors may well want to know, who is going to manage the project? So these are perfectly permissible transparency related concerns as a rule. And that's the kind of ordinance we're talking about. When you have a city ordinance, you have some basic enforcement tools, and that would be your infractions, perhaps a misdemeanor, administrative citation, so those all go with adopting an ordinance. And that would be the the general toolbox that you'd be looking at in this case.

>> Which is why we decided to bring it back before we actually started working in any one direction, just to let you know what we'd been thinking of since September, and the possibility so that we would get a better sense of what direction the committee wanted us to pursue if there is any direction you want us to pursue further on this particular item.

>> Councilmember Liccardo: Well, perhaps I could just put together a motion and see how it goes. I would move, then, that we would go forward with the policy, with additional conversation, of course, between the housing department and city attorney's office that would require notification after approval of changes in tenure with an appropriate enforcement mechanism that would be clearly something less than a misdemeanor. I don't want to make a criminal violation out of this, but a simple citation or something on that level of severity, obviously not very substantial, and that is the motion.

>> And just for clarification I think our initial proposal was to look at actually doing an ordinance as opposed to a policy, so that it's not something that changes from council meeting to council meeting, but in fact is a regulatory, that we would just simply have to have our rational basis of transparency or something like that.

>> Councilmember Liccardo: That would make sense. I would incorporate that into the motion. Thanks, Ed.

>> Councilmember Herrera: I'll second it.

>> And the direction, I'm assuming it would come back to the committee for the committee to review that proposal?

>> Councilmember Liccardo: Right.

>> Councilmember Pyle: I just wanted to ask one quick question, and that is, that this is equal treatment under the law, and whomever begins the whole project or continues with it always has to have that in mind. That is their obligation to make sure that there is equal treatment under the law, would that be an accurate statement?

>> Yes, and that's what we indicated, is you have to treat all the projects the same, you couldn't treat affordable housing different than market rate units. We would clarify that when we came back with a proposal.

>> Councilmember Pyle: Great. Question.

>> Councilmember Herrera: So is this -- is this tenure, meaning the rental to purchase, we're not talk about then affordable to -- okay, great.

>> No.

>> Councilmember Pyle: All right, all those in favor?

>> I see the director of planning is here.

>> Councilmember Liccardo: I should have interjected the Planning Department as well.

>> Councilmember Pyle: Sorry about that, Joe.

>> Joe Horwedel: Joe Horwedel, director of Planning, Building and Code Enforcement. I wasn't planning on talking on this item today, so that's -- I pulled up the report, so apologize for that. I think it is going to be really important for the committee to be clear about what your objectives are. And I think Councilmember Herrera's comments about, so once you've notified people what the expected outcome is, is going to be really important. Because as Leslye said, when we approve an entitlement for project, we're not looking at whether it's ownership style, whether it's rental or condo. That in fact most of the affordable projects we do I think are on par or exceed the market rates product that gets built in this city. But at the end of the day, if a developer is going to go through and come out of the ground and make it an apartment building or a condo, I don't have the ability to go through and change the project. It is going to do no good to have a community meeting and talk about it, because it will only frustrate and antagonize the neighborhood. So I think it's one that early on when we are having the community meeting at the onset of the project I do think we need to be really really clear with the community about the broad range of things that can happen with that project because it is ultimately how a developer chooses to finance it. I think you also need to be really clear about whether this is something that happens at the preconstruction stage, versus something that happens once it's built. Because I've heard talk about tenancy. You really don't have tenancy until you have somebody in the space. Nobody is harmed from rental conversion if you never occupied it. So we already have that through our condo conversion provisions in the City of San José. We've had that for 20 years. I think really the issue is around new construction. So I want to make sure we're not doing something that puts another kind of obstacle out there of how we get things out of the ground and creates procedural road blocks. That, you know, as we had the discussion, fortunately, district Councilmember Pyle last week, of a procedural problem of a small nuance noticing problem that has major ramifications. And so it's something I'm always sensitive about, let's be really clear why we are doing something, make sure we understand the cost and the ramification, and is it really the benefit from it worth while? And right now, one of the things I think we need to be clear about is what is the true benefit that we would deal with.

>> Councilmember Liccardo: If I could respond briefly, Joe. And I'm sensitive to Leslye's comment which is, is this just a limited moment in history that we're talking about? In my only district I can think of three projects where there was a change in tenancy. Push-back from the community that the city pulled a fast one on us was pretty strong in at least two of those situations. For me the outcome is very simple, just assuring the community that

they know that we are being straightforward with them about what is occurring, that is, that they can trust the city to be dealing with them fairly, and really, it just goes to this whole transparency issue.

>> Councilmember Pyle: Any other comments? We do have -- Rose.

>> Councilmember Herrera: Not to belabor this but if we had the full disclosure on the front end when these projects were beginning and new construction, would we need this policy ordinance we're proposing this additional on?

>> Well, councilmember, I think as the director's indicated, I think it will be important that when we come back, that we provide you with the alternatives to actually going forward with this. I mean, as Joe has indicated, I think maybe requiring additional information at the community meetings before a project is actually approved that talks about all the possibilities, that might be something the council may want to consider as an alternative. When we bring back the proposed ordinance we'll come back with alternatives that both housing and the director of planning will also be involved in so that you can consider the different alternatives so that again it is not a recommendation that you do this. It is a recommendation that I think could be a possibility along with all the alternatives that I think we can bring back that you just brought.

>> Councilmember Pyle: Okay, we do have one speaker on subject and that would be David Wall.

>> David Wall: Equal protection under the law, I love those words. Now we have a conundrum. Actually several of them. Park land fees. There's been motions and pushes for all this type of stuff to eliminate park land fees from these affordable housing developments. As a matter of fact 50% reduction or elimination altogether, doesn't keep in congruence with equal protection under the law. Also, the mere factor the folks don't have enough money to live in San José so equal protection is what we provided for them. But we have to understand, what if someone buys one of these market right places? What is their cause of action if their property values drop which they will, is it to the city, the developer, or all of them? I'd say all of them. Is there any type financial outreach being given to these affordable housing people? The people that are getting in there that won the lottery so to speak, do they

understand neighborhood association fees or association fees in general? What happens if the condo projects doesn't fell up, the association fees, do they grow, can they afford it or does it matter? Does somebody else cover it for them? Compensation to adjacent property owners who just really don't really like the communist manifesto. They work hard, they have a nice house, and all of a sudden, they have got a bunch of gang bangers hanging out on the affordable housing projects. Who goes after them for a drop in their property value? There are a lot of things that need to be talked about, and it hasn't been done. This main thing about the park land, you've really shot yourselves in the foot on this one.

>> Councilmember Pyle: Thank you. And our next subject if we may is -- may I have a motion to approve?

>> Councilmember Liccardo: There is a motion.

>> Councilmember Pyle: That's already been handled. All those in favor, aye and that is approved. We're ready to move on now with the communications working group with Michelle McGurk.

>> Good afternoon. I want to thank the committee. And the councilmembers. For renewing the communications working group as part of your approval of the budget. We're looking forward to the year ahead and have a few very exciting task force on our plate. And you have a pretty detailed written report that outlines this. And I handed out to you an updated schedule for our work plan. Given the changes in the redevelopment agency budget calendar that were approved by the Rules Committee we needed to move one of our meetings to a bit later, just a few weeks, so that we can review the agency marketing budget on September 23rd. And that will be in time for the release of the agency budget message, and the council vote, on agency board vote on the entire agency budget. We have three specific task force that we've assigned ourselves for the year ahead. Continuing our work on building the San José brand and really improving the collaboration between all the different partners at the table, increasing the oversight on the funds that are expended on behalf of the city and then two areas that we're really going to be paying close attention to. And I handed out just a very rough sample of a project that is currently underway, due to the collaboration that has grown out of the agency staff, OED marketing staff, and my team to focus in on bringing new driving industry businesses to San José. And this is a very rough mockup of a Website

that we'll debut in the next couple of months, encouraging folks to choose San José as a destination for their driving industry business. It has a very targeted audience of startup companies, venture capitalists, real estate brokers, and its focus is on future driving industries and driving industry businesses. It will tie in with an advertising -- using the free advertising we have such as that at the airport and around town to really showcase that San José is an open-for-business and that we are a place where new driving companies can locate. Tying in with that will be the marketing that we do and the committees at a very high-leveled committee that includes Bill Sherry and Kim Walesh from OED, to focus on efforts to bring new air service to our new airport. So those are the big projects for the year ahead. And you have our work plan. And I'm here to answer any questions.

>> Councilmember Pyle: Questions? I had one. And I hope I'm not precluding anyone.

>> Councilmember Liccardo: No.

>> Councilmember Pyle: Okay. And that had to do with the airlines and trying to promote some of them. I wondered what kind of responses that you've had, Volaris, for example, began the international flights. They're still here, which is great. And what kinds of experiences have you had particularly with Jetblue and its flight to Boston, that would be a critical one.

>> We really -- the folks at the airport have had some very good successes over the past month and the buzz around the new airport is really increasing that level of excitement. The mayor sent out a letter, co-signed by about a dozen Silicon Valley CEOs, companies that would be highly recognizable to the airline executives. And those letters went out right around the time of the grand opening, to all of the airline executives. We are following that up with a plan of attack to target and meet with different airmen, and let them know what kind of business, what routes are needed, and the team that is working on that, just met right at the -- with the July recess being concluded. And we are meeting every other week to work, and Kim Walesh is leading and Paul may have additional comments on that.

>> Paul Krutko: The only thing would I say is we are really looking and we really appreciate Michelle's help on this, on the pieces, the part that Bill and I are spending a great deal of time together is the strategy of which routes to go after. We are trying to be highly targeted on what we're pursuing. As we get things on the table, this isn't we need every flight into San José. There are specific ones. With time, you know, with their working strength, there may be flights. But we really think technology flights, Asian flights across the Pacific, better transcon service to the East Coast are really the priorities. So we're looking for Michelle, as we focus on, okay, this is the ones we're going after, how do we hone that message to make that happen? So Bill and I had about a four-hour session, Kim was there, and other people on his team to really focus on that last week, and so we're going to continue to do that.

>> Councilmember Pyle: Great. Sam.

>> Councilmember Liccardo: Thanks for all your hard work and your leadership on this. I know at the federal level it is always a matter of great speculation as to what the size of the intelligence budget is. Here we've got the marketing task that's spread across many different organizations from the airport to convention and visitors bureau and redevelopment and so forth. Do we have any sense of how large a budget we have across all these different groups?

>> It's smaller than you would think.

>> Councilmember Liccardo: Yes, I imagine.

>> It's less than \$10 million, across all of these groups. The bulk of it is the convention and visitors money that goes to Team San José. That is over \$5 million. They also have funding from the hotel, BID, that goes to subsidies for bringing convention business to town. Within the city -- the city and agency itself, the biggest asset is the staff members who do the work of communications, and many of those folks wear multiple hats. That's specifically within OED and within the redevelopment agency. And then, the other contracts right now, there's the San José downtown association contract which has a small marketing component, and primarily, is for event

management downtown and to bring people downtown. That contract, you all are well familiar with, and is, I believe, roughly half a million dollars.

>> Councilmember Liccardo: A little less, yes.

>> -- a year. And right now, there -- the chamber does not currently have a contract. Because their contract has expired. So we're not sure what the redevelopment agency budget is going to hold on the marketing front. So -- and that was a source of dollars in past years.

>> Councilmember Liccardo: Thanks. I understand you're shooting another moving target there and unfortunately it is a smaller and smaller target as we go. All right, thank you.

>> Councilmember Pyle: Other questions? Rose?

>> Councilmember Herrera: Thank you, Michelle. Certainly branding is very critical and all of the goals are critical. I guess I'm a bit -- I want to understand a bit more of the second goal of landing and driving industry as a message. Because I'm -- I think the messaging's great but I guess I want to understand in a deeper kind of like deeper layers how this group is going to -- can go about landing and driving industry. And I guess part of my concern is, I see most of really the involvement of the groups that I see listed here are for small businesses really, we're working on businesses in San José. And I guess I'm feeling a disconnect between what I hear from small businesses which is a need for us to show that more support for them in terms of how the city relates to them, and then this whole need to bring in a driving industry. And I'm kind of confused here about frankly do we have -- what are we going to do to bring in a driving industry?

>> So we have a team, we have -- and staff members in economic development and redevelopment whose job it is to bring the driving industries and work, as well as the outreach that the mayor and members of the council do when they meet with CEOs and venture capital is and real estate folks out in the community. What we found was missing and looking at our competition and sort of doing a gap analysis of what was missing, and it literally came

about when we were looking at our competing cities and seeing them advertised in the places where we go, and seeing the signs that welcome you when you land in another community's airport. And we looked at our competitors and looked at places like the sun corridor in Arizona that has its own Website. And we realized from the committee's perspective and the internal team that meets every other week, and when we asked the staff what tools are missing from your tool box, they said a very simple high-level Website. When you go to the city and agency Website, those Websites have to serve multiple needs. They have to meet the whole community's needs. And so we also heard from our business community, that they wanted a way to share their positive experiences, having worked with San José to bring the company, you know, to San José or to expand their business. So this allows us to highlight some of our success stories and share those testimonials, let people know what resources are available to them. There will be information for small business owners and links to take them to the resources that already exist for them. But we thought we would focus in this one area, that the folks whether it's you know agency staff or OED staff, when they go out to call on someone, they can say oh, look this up, you can see this testimonial on our Website that's similar to you know another business like yours.

>> Paul Krutko: So we are very much to amplify what Michelle is saying, through the business other than space.com, essentially almost a web 2.0 platform. We're trying to drive small business there. And the numbers of the usage of that site indicates many, many of our businesses in San José, and the surrounding communities, are using it. The issue for us, I forget what the count is, I was looking at Joe, but I think we have something like nearly 60,000 or had 60,000 discrete business licenses. We need to calibrate our tools in a way that's sorts of emulating some of the -- the councilmembers may have heard me talk about this before -- we can never have enough staff to provide the one on one interaction. So what we tried do was learn from eBay. And eBay says much the same thing. When you think about eBay what it is is a collection of small businesses. EBay said, if we had to do hands-on work, we could never do it. So they tried to create this peer-to-peer relationship, where people learn from each other and things that are on the Websites and all that. So that's really our thrust in the small business area. Michelle touched on another thing that some of my staff is working on. We're very much involved and supportive of what Michelle's engaged in. But one of the things that we have to be mindful of is if you type in -- if it's a San José search, what's going to pop is the City's main Website. And we have been concerned -- and I'll be frank, I've said this to Tom Manheim and several others. You know, go to our first page. If you're a driving industry

thinking about a location, and no -- this is no disrespect intended -- but if the top things page are, the city has a \$150 million budget deficit, here is the negotiation strategy with the unions, and oh, by the way, pandemic flu. You know, and so -- so what we've said -- this is a little inside the bureaucracy here. I'm just sharing this with you. We need to change the splash page. Because before you get to that, maybe the first page is, general things of interest to the citizen, that's a click. The other click is, businesses looking for opportunities in San José. And they never get into, here's the latest. Because, I mean, if you go just through a -- go to our main page and see what it looks like. And I know what my competitors are doing. They're not funneling all their business through that connection. So working with Michelle, we've got a couple of our younger staffers that are much more tuned to social media. So what's our presence in terms of linkedin, what's our presence in terms of Facebook, and those kinds of things. Really our focus on that, because when I go to conferences, my colleagues, that's how, they're not -- people don't -- they don't need to call first thing when they are trying to find someplace, they don't start by calling Nancy. They're doing web search. They are even not using site search consultants much anymore. They are doing it on their own. What your front door, what your face looks like is much more important than advertising we would do in the Wall Street journal.

>> Councilmember Herrera: So this is the external face, the marketing face, and then our regular front page is more the internal, intranet sort of local residents, this is sort of --

>> Paul Krutko: We have multiple ones. But what I mean, talking about the City of San José Website go to it and if you're a business figure out you know, A, where you could find us. But B, see what we're saying about ourselves. I get it, it's very important that we talk to our citizens about resolving our budget deficit. But if you're a business making a decision, I've been asked the question, is your city bankrupt? And people thumb -- they don't read the newspaper, and they say, well, should I move my business to your city, because you're not going to be able to provide basic services. So we have -- the message we're putting out through the main website can't contradict what we're trying to do in choosing San José.

>> Councilmember Herrera: Michelle, so that's helpful to me, because I was trying to understand how you integrate all these websites and what the purpose is, it's like the external message to sell what we have to offer.

>> And this is also a side, if you as a councilmember are out speaking to a business audience, and someone -- you can use the web address that will have this choose San José Web address that allows you to give them, here's the site that will direct them to all the resources that's not as complex. It doesn't have you know, it will have a link throughout it to the main City of San José home page but it doesn't have the details of all the departments.

>> Paul Krutko: What Michelle is saying, what I'm kind of looking for and we have to work -- because there was a lot of rules established around here when web stuff was set up, and it has to look the same way, and it has to be all this and this and that. So what I'm looking for is, if we had a splash page that basically had the "choose San José" button on it.

>> This is a --

>> Paul Krutko: No, but we need to go in this direction. Because if we don't, people are going to get lost in the City's main page. I don't care what kind of website. If we don't do it directly, they're going to get lost.

>> Councilmember Herrera: Or we'll drive them to drink otherwise.

>> Paul Krutko: Yes.

>> Councilmember Herrera: And my other question was around social media. I think Paul alluded to it. So I didn't see any mention of connecting up with social media.

>> That's all part of the plan that we're developing with it.

>> Councilmember Herrera: I think that's very important. I'd like to see it come back to the committee with -- I assume there's going to be marketing goals and achievements or a strategy that we're going to come back and look and see how did we achieve it. I'd like to see that come back for one, three and five-year goals.

>> Okay.

>> Councilmember Pyle: Great, are there any other --

>> And I do -- I should mention that we are also working with redevelopment staff on some ideas for neighborhood business districts and doing some marketing plans that will-d how we could pilot some work with neighborhood business districts and that is still out there. Once we we get through the redevelopment budget process, there are of services that we've offered in terms of different staff members who volunteered for that project and see how we can hen small business in that way.

>> Councilmember Pyle: David Wall you wish to speak on this subject?

>> David Wall: The director was absolutely on point. Thank you very much. That was very refreshing. And I'm not being facetious on this. You're being truthful. One thing that there's a problem with is that on KQED or one of the PBS stations they advertise Oakland airport all the time. But Oakland's airport is a dump. Our airport is orders of magnitude better. Now there's the issue of splash issues on the web page. Councilmember Pyle's web page is orders of magnitude better than several of the local honors that sit before me. But there's a disparity there. Councilmember Kalra it looks like you can feed your staff. It's really bad compared -- but there's a disparity and they should be equivalent as far as what they're designed. I mean I'm being truthful here. I've looked at them and yours, Chairman Pyle, very excellent. There's a couple other ones, Constant, Pete Constant's is excellent. Sam, a little work, a little less politicking. Then there needs to be, really, from you folks a dedicated fund set up for the communication people. It would have been very wise, had you led onto those multimedia video producers that were let go. Because I wrote about that they would be very helpful about making videos on the splash page on airlines as they land into San José. But the director's on point. You can't tell the world that we're near bankruptcy. It's not good. Get 'em here first and get 'em liquored up and then tell them.

>> Councilmember Pyle: Thank you, David. That was a refreshing night. So are we ready for a motion on the subject?

>> Councilmember Liccardo: Motion to accept report.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: And this will include coming back on a periodic basis.

>> Councilmember Herrera: Can I add to that motion?

>> Councilmember Pyle: Yes.

>> Councilmember Herrera: I would like to see Paul Krutko's suggestion about the splash page incorporated into this work group.

>> Okay.

>> Councilmember Pyle: Hear, hear.

>> We can work with the city manager's office on that.

>> Councilmember Herrera: That is part of the motion.

>> Councilmember Pyle: All those in favor, opposed, that is unanimous. Thank you very much. And now we are ready for -- shall we call it a grand finale? San Pedro Square. I think there are some people here that are ready to speak.

>> Good afternoon, Madam Chair, members of the committee, my name is Nancy Kline, economic development. Very happy here to mention that Ed Tolentino, who is the director of building, as well Martin Menne and Steve Barkenhagen from the project to give you an update of a lot of work that has been accomplished to date, and items that will need to be accomplished very near in the future. It is also a great opportunity to just take a window on how much work both the applicant and your staff has to do on projects, a tremendous amount of technical problems that applicant and city staff have to work together to solve creatively in order to accomplish projects. I'm not sure if they always at that level comes to your review. Also wants to mention a lot of partnership with the redevelopment agency on this project down the line from funding tall way through every aspect of the project. Pound for pound, we say on the staff internally, that this project is probably more complex than any other project, than we've been working for although every project has its idiosyncratic elements. But several of them bear noting and have really been worked through so we want to sort of celebrate the accomplishments here. One of them is the easements. You may very well know this, but when you have a property line and a building sits next to the property line, you have to have easements in order to have fire access, ADA, Americans with Disabilities Act, awnings, landscaping, all of those issues have to be addressed. And this project has approximately six easements that had to be addressed in a very tight space working with historic structures. And our primary first historic structure, the Adobe. So it's the equivalent of our Lincoln center or our, be that as it may, that has to be worked around in order to be accomplished. So the easements themselves it is also not easy because there are multiple property owners. While one empty may have the controlling share, there are multiple property owners and somewhat unrelated like the Perazzos, so there are tremendous amount of negotiations for the applicant to have to deal with and work with. Then in addition to that, you have operations and management agreements that are tri-party in addition to us there is the History San José who is our primary contractor if you will for all historic structures within the city and then the San Pedro market folks work as subconsultants if you will. So figuring out how that works, who shares liability and who does what in what instance is something that you need to think creatively for. And I would be very much remiss if I didn't mention Ed Moran in particular and several folks in the attorney's office who have had to puzzle through and make sure we were accomplishing our goals that would work from a legal perspective likely when many of us are not here and an issue arises. Because hopefully the project will be around for a very long time. In addition to that there are grading permits, which in that tight of an area around the Adobe are not that easy to accomplish. Many of the building materials had to be done with

alternative materials or methods of construction. Which is, as Ed would coach us, a way to accomplish so you get the same level of standard so that you're not in any way risking public or residents or any visitors, but how to do things in historic structures in tight spaces that can't be provided on a normal, what you would on a brand-new piece of construction. So building permits for the Losardi Building, the El Dorado Building, the Parazzo, which will be a new building, are happily all pulled. There is one outstanding issue which the applicant believes they've solved requiring for grease traps, which is the oldest area in the city. So dealing effectively, and as Councilmember Liccardo, I'm sure, is well aware, Ed -- it's an issue, and Scott Knies, I'm sure, is well aware and out in the audience, backing up grease interceptors and how the city deals with that is a very tough issue and a very serious marketing issue, if one goes awry, which they often do just at Christmastime, for folks to work with. As well as gas lines that need to be accomplished, and they can't go under buildings, and these are older structures. Sewer lines, and then making sure that you have electricity et cetera that are accommodated through the project. I do have to say, it is an honor to work with staff here. And I got to say, in particular, Ed Tolentino and Joe Horwedel have done way beyond devoting a great amount of their own personal time into coming up with solutions when the rest of us maybe couldn't, on how to solve very natty problems. That is just a very small set of issues that have anonymous been pit to bed. That's a tremendous amount of work and those things are done. And what we are now gearing up for is, moving forward on issues that we need to complete in order to get the market open. And the first one of them is an additional conditional use permit which will go before the Planning Commission, when we dealt first with conditional use permit, based on timing it was strictly about use. Now we need to go forward and give as much flexibility for the project as possible to allow as many tenants, and we -- OED and other staff are supporting making sure they could late-night use and off sale, so if you get a really cool wine bar so somebody wants to buy a bottle of wine and take it home with them, we want to make sure they get those things. And we believe we'll be successful on that, but those are issues you might be hearing about. There is a great deal of work that has been accomplished but is not quite done with the kiosk ordinance that for the very first time, will allow a single entity to control multiple owners or multiple kiosks in an area. And there are three areas that have been identified in this preliminary work that Ed Moran and Angela Nedro have been working on assiduously. The San Pedro area, the Cesar plaza, and as well as sofa. So those are -- it will function more or less -- it could be expanded later if those are successful, and it's applicable in neighborhood business districts or others. So that is a body of work and we're close to having a draft that will be ready for

review. So in addition to that, it has been stated by the applicants that they're interested in optioning the Fallon house parking lot to anticipate future expansion of the market and to have that taken care of. We are in the process of preparing appraisals and believe that based on business terms that are in the works that we'll be able to successfully conclude that in the near term. There will be additional maintenance agreements that will coordinate with the property-based improvement district, because the applicant has committed as part of their project to alleviate the City's role in taking care of the sidewalks and streets adjacent to the project. And then, in addition to that, I wanted to make sure that Martin and Steve had an opportunity to give you an update on leasing. There's a tremendous amount of work that they're doing as many of you may have heard, talking to many, many applicants and it's exciting because there is a lot of interest. But with that I wanted to make sure that they themselves had a chance to comment.

>> Thanks Nancy. She's right, the complexity that's gone into the project from the start and I think as we jumped on this virtue, we probably never dreamed that we were going to have the tears and layers and all the different elements that have gone into this. It certainly should have been a workshop from San José State or somebody to witness all the different layers that we've got here. Staff has done a wonderful job, Nancy has been the leader of the project. We've navigated really the major hurdles that comprise the project. As you've all probably been by the site, you've seen what's gone on out there. We're in the trenches, on the buildings, as well as the plaza itself. The primary focus at this point has been to get the plaza completed so we can get the school program back on track, when they start, and the latest kids can get back in, I think the 3rd of September. So that's been the real focus, to make sure that part of the program is not interrupted. But with that, we have the building shell and structural work underway. We're also in about four weeks going to see the building, the new building on the corner, which we call the Perazzo building, be delivered. And so site work and foundation work you'll see those elements start to happen on the corner. So a lot of things happening out on the site. E. We try to prioritize as much as we can with these different elements that have to happen on certain time lines. Not to mention we've got a total of about nine buildings perms when you start to break out each individual building from a structural shell, tenant improvement plaza layout we have a whole host of these permits. And the reason for that was to try to get timing going early, so we could start to knock off some of the things that we had some definitive time line to. So everything is going along fine. We're really excited about all the interest we have in the project. I think that's probably been the most

surprising part of all of this. Since we started we knew we were entering a time with real tough economic conditions. The interest from people has been overwhelming. Steve will tell you that at this point, we are trying to do our best to mix and match and try to get the right feel and environment within the project. I think it's going to be a work in progress. I think as people start to get operating and a feel for what the local residents demand, they'll have a better feel for who makes it and maybe who don't. And I think that part of it will just be an ongoing sort of evolution of the project. So we are on track. We're talking now the first quarter of 2011 to open. The challenge we have now is, we're entering the rainy season. We're worried about that. But based on the summer so far, it's probably going to be super-hot through the rest of the year. So who knows, but at this point we're talking the first quarter, again, we have a terrific mix of tenants and I think with that I'll probably best hand it off to of Steve who knows a few of the more specifics of the tenant mix because that is the real exciting part of the stage.

>> It took us a while to get our lease document prepared so our lease has only been out for about two weeks after a long time working with the lawyers. But we've got about 20 leases out for signature. The tenants are incredibly excited. Also, the public is really excited. We've done a number of focus groups and public presentations, and every one has had people sort of jumping out of their seats. Nancy has been at some of these too, but especially people who live in -- say within three or four miles of the core, which is a human number of people, are really excited about it. In particular, the people living in the downtown high rises are really thrilled. I think we've going to fill a need that nobody's done before. So we've got Barefoot Coffee ready to sign a lease for our corner location, which is a really important one. We've got a couple of anchor restaurants with leases out. We've got -- by plan we've got a huge variety of different kinds of food and different kinds of people ready to sign leases. Whether it's Jamaican chicken, falafels, Mediterranean food, tamales, enchiladas, tacos, salads, you name it, it's going to be all across the boards. Also, a number of hard goods, retailers including a kitchen products store, Guatemalan imports, a dress shop and other things. We're intentionally trying to balance food and nonfood. We don't want this to be all food for a number of reasons. We've really got really compelling uses. We probably could have gone out and found the Starbuck's and Peets of the world. We don't want them. We want this to be home grown real businesses selling real products. Owner-operators, many of whom it will be their first business, maybe their second business. So, again, that's by plan. We want this to be an incredible compelling project, and we expect it to be.

>> Just if I can jump back in, one part that Nancy alluded to was our -- you know, the alcohol piece in the plaza. What we're proposing is the sort of an overlay. What we're able to control the alcohol with ABC throughout the plaza and the buildings. We feel a big part of the environment that we're going to deliver is the ability to integrate the Plaza areas and seating areas with the ability to have a glass of wine with your dinner outside in the seating area, and maybe the person you are with might want something served differently. And because of that, we want flexibility to have people and the different services in the buildings to mix within the plaza. And to do that is a little bit complex from an ABC standpoint and requires assistance with staff as we start to navigate through that process. But we think that part of the flexibility and the use and interest and use of the plaza is important.

>> That's the conclusion of my report. Of course, if there are any questions you have, we have the right focus of response.

>> Councilmember Pyle: Sam gets all the great projects I'm sure he wants to speak first.

>> Councilmember Liccardo: Thank you. I just want to thank all the folks who have been involved. Starting with Nancy, thank you very much for all of the hard work you've put into this and coordinating. I know there has been an enormous amount of coordination because I hear about it from different directions. Martin and Steve, thank you for all your patience with this very long process. And I think it all became much more complex than any of us anticipated. I think it's going to be fantastic, but there's no question, it's been a lot of work just getting to this point. I had an opportunity at a recent opening of the tea shop over there in San Pedro -- which I recommend to anyone, by the way, fantastic tea. I believe it's Sitori, is that what it's called, Sitori, it's open now. I had a chance to speak with the woman who is involved in importing Guatemalan textiles, who is going to be selling there. This is going to be her second shop. She's been incredibly successful, somewhere down south, San Luis or someplace nearby.

>> San Juan Bautista.

>> Councilmember Liccardo: Thank you, San Juan Bautista. It's great seeing this kind of activity downtown. Knowing we don't want a Walmart, it's going to be eclectic, it's going to be ethnic and San José that will really attract people. I'm really excited about it. I also wanted to thank Nancy for your work with Akeena. I know that was announced earlier, and that was a very long process in getting them in the door, so I appreciate it.

>> Still working on the office, warehouse.

>> Councilmember Liccardo: Warehouse is good, we'll take it one by one. Anyway, thanks to everyone.

>> Councilmember Pyle: Others.

>> Councilmember Kalra: Thank you. Steve, early on when the project was first proposed I know that there was at least a desire on my part and I think others as well to reach out to some of the flea market vendors. Has there been success in doing that?

>> No, not successfully. I have been there, I'm talking to one tenant at the flea market who sells DVDs and CDs, but at this point there hasn't been a lot of linkage. Not because I'm not interested, but because most of the users haven't come to me or don't have compatible products. But I can tell you that I've made hundreds and hundreds of calls to every community in town, and anybody who's interested, I show them the project and try to get them to come out.

>> Councilmember Kalra: So you made outreach, there wasn't response back, basically?

>> Yes.

>> Councilmember Kalra: Thank you.

>> Councilmember Pyle: Rose.

>> Councilmember Pyle: I want to congratulate Nancy and the team here for this work. This is a wonderful project. That's really going to be great for San José as you've all said. Can you comment on opportunities for entertainment down there? Not to -- I hope that we're going to -- that any ordinances we have in place will be flexible enough to allow entertainment there. Because I think having some musical aspect to this, too, in addition to everything else you have talked about kind of completes the zone there and will bring people not just from the local area but I think outside of San José, too.

>> Yeah, we absolutely agree with that. The plaza is such a wonderful environment. I think if you haven't had a chance to go, go into the plaza now, and you can get a feel for how these buildings have changed. The ability to open up the backs of the buildings and really start to connect the plaza, make that a people-space that I think is going to be really well received. We've got a stage area planned for the back, south side of the plaza. We think the scheduling and programming of music and entertainment, all of those elements are going to be important for people to be out there. We see the actual sort of community gathering aspect of all of this as important as anything. With all the towers and the residents that are there, they need a place to go and a place to gather and we want to build that and have a designs for people who love there now. Yes, we absolute see that.

>> Paul Krutko: As Councilmember Liccardo understands, one of the things we are trying to focus on, with limited resources, but still focus on, is a live music strategy, it is small venue based. So we are encouraging the proponents of this project that that's the kind of opportunities we look for. So that we draw broader demographic, at different hours of the day, and so forth. You know, we seem -- we had -- referencing Councilmember Liccardo, again, you know, we had sort of a monoculture in terms of the kind of entertainment venue we had downtown, which led to many of the difficulties we were having. So I think what they're proposing, you know, the combination of goods and food and an all day of activity lends itself very well to how well we can sort of amplify that live music strategy.

>> Councilmember Herrera: I'm thinking small piece, three-piece music, singing, even local schools, young people can come, it can be lots of different opportunities for people to share a variety of cultural kinds of things as

well. And the Fallon house, how is that going to be -- that's going to be basically a centerpiece there, and the historical aspect is going to be retained, and are we working with museum -- with the historical -- or the --

>> Absolutely. History San José is a major part of our agreement, and we've got a daily dialogue going with them. Even in the future if there's ideas that we can feed off of each other, and ways we can get people to appreciate the buildings there, that is all going to help all of us, so we see that as an amenity from both sides.

>> Councilmember Pyle: This has been kind of like the iceberg, isn't it? What you see on the top is only a small portion of what's it's all about. I'm sure had you know up front, it's going to take how long to do this? But my question has more to do with timeline. Because you have what I would consider a lot of the really tough core of this pretty much accomplished. What will happen with the time line at this point, will it be able to be expedited because that hard part is pretty much accomplished?

>> You know my partner Tom asks me that on a regular basis. And you know, one of the things that is a little bit of a wild card and that we need to navigate and figure out how to make it go as smooth as possible is with the health department, with these various vendors that may have a 500, a 300 square foot space. It certainly wouldn't warrant the level of scrutiny by the health department than, say, a 2 or 3,000 foot restaurant would. So because of that we've met and tried to say, okay, if we sort of create a cookie cutter let's say of a basic layout and show them what would be in that space, can we get a preferred level of processing through. That's our latest challenge now. We've now got these tenants teed up, and they want to know when they're going to be moving in, and we want to make sure we get them as soon as possible. But that's one wild card, let's say. If that goes smoothly the building shell, and work for the shells themselves are about the middle of December. So if we can dovetail the improvements for those specific tenants along with the balance of the building, end of the year, first quarter is achievable. So but that's the caveat.

>> Councilmember Pyle: Keep our fingers crossed. So you are basically going looking for a blanket health pass?

>> Yeah. It's not so much a blanket. Nancy and Ed can probably add to more of that. But as much as we can preload what's coming, so they have a feel for the size and the layout of what we're talking about, hopefully that makes it go smoother.

>> Councilmember Pyle: Thank you. Any first questions, comment? Do I have a motion to approve?

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Paul Krutko: She's got a --

>> Councilmember Liccardo: Public card?

>> Councilmember Pyle: The last card is the end of the line here. And that would be often forum, and that would be Mr. Wall.

>> Councilmember Herrera: We didn't vote.

>> Councilmember Pyle: All those in favor?

>> Aye.

>> Thanks a lots.

>> Councilmember Pyle: Gee, thanks a lot.

>> David Wall: What I'm going to say dovetails into all your projects. First of all, there's something I said a long time ago that still should be done. Those that perform in the business sector in the city should have bonuses commensurate with the successes. So let us not forget those words. I will add it to it that the attorney should also get the piece of the pie because they do the land's share of the work. Once again we're going to raise the issue, fresh food grown locally. That project is too brought, use the schools collaborative, have schoolchildren use their schools or their backyards to grow food. Orchestrated through the city, to sell it to these little markets, to show the kids grow fresh food here. They get the money, for their efforts, it beats any other type of job that's out there or not out there for them. And as far as three-piece bands go, acoustic bands, I drive 65 miles one way to hear blue grass music. I spend a lot of money doing it. It's really you make a lot of money with it. There's a hint somewhere in there. Thank you.

>> Councilmember Liccardo: Bluegrass.

>> Councilmember Pyle: We get it. Are there any other announcements or correction or whatever?

>> Paul Krutko: Let the committee know, I don't know Fitts in your packets, next month's agenda is much, much longer. Managing your expectations, this is a very prompt meeting, next month you've got a lot more items, that's the way they teed up.

>> Councilmember Pyle: That's good you warned us ahead of time.

>> Councilmember Liccardo: We move right on through it all. You'll see. Boomadaboom.

>> Councilmember Pyle: This meeting is adjourned.