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>> Councilmember Herrera: Good afternoon everyone. I'm calling the Community and Economic Development meeting to order for today and Rick would you please take roll.

>> Councilmember Herrera, here. Councilmember Liccardo, Councilmember Kalra, here. Councilmember Oliverio, yes.

>> Councilmember Herrera: Okay, we'll move to consent calendar. We have a couple of things that are being deferred some citywide small business support services deferred to January, right?

>> Kim Walesh: Yes, and Madam Chair, committee members, our plan all along has been to cancel our December meeting since it's scheduled for right before the holidays, and all of our December meetings will roll forward to January meeting.

>> Councilmember Oliverio: Does that require a motion?

>> Kim Walesh: Yes.

>> Councilmember Oliverio: Motion to defer.

>> Second.

>> Councilmember Herrera: Then we'll hear from Kim on our verbal report.

>> Kim Walesh: Hope you all had a good thanksgiving. I'm Kim Walesh, the director of economic development. Here with a verbal report. These are some examples of the kinds of activities that our economic development office and our entire CSA have been involved with the last month. And we start out of course with our fascinating facts and I don't know do we have a slide on this or it's just me? Just me. We have too. So first fascinating fact is November 16th, the San José downtown association downtown ice had its first marriage

proposal of the season! In case you were wondering she said yes. Our second fascinating fact is we wanted everybody to be aware that in November, San José was named the top clean tech metropolitan region in the nation. Followed by San Francisco, and Portland. So this is the most comprehensive index released by clean edge. It has two dozen indicators across four categories. Green buildings, advance transportation, clean electricity and clean tech investment. And San José is number 1, we got there from implementing our green vision and aligning a lot of our resources and our partners to achieve our goals, so that was very visible and huge. We continue to focus a lot on business outreach. Staff met proactively with 35 companies in the last month. You can see some of the examples here, but really spanning a range of companies in technology, financial services, retail, and the development community. We also participated in some very local business outreach with the San José Silicon Valley chamber of commerce. Last month they did their first pilot business walk. Which was along Lincoln avenue. So we had about six of our city staff participate, along with chamber volunteers. And the goal is really just to sort of take the temperature of that business district. And to identify answers to three basic questions that they asked and they hit over 200 businesses. How is business going? What's work well in this particular location, and then how can we assist, we, meaning the chamber and the city collectively. So the chamber is going to aggregate all the information they got and then be able to share that in addition to some next steps. I also wanted you to be aware that our staff is actively promoting the new foreign trade zone designation that San José now has. And we have at least five companies ready to go in terms of benefiting from a speedier less expensive approval process. And tomorrow afternoon, on the council agenda, item 2.8, is an item to approve the reduced fee structure for the foreign trade zone. So this will really benefit our companies. And just want you to be aware of that. And we should celebrate that accomplishment, approving the new fee structure is the next step, and then these five companies will be ready to apply under the new alternative site framework which this committee approved last year. Also wanted to mention that San José Hayes mansion was home for the clean tech open global forum last month which went incredibly well. We had a thousand clean tech entrepreneurs in our city from seven regions around the world and 20 countries. And we were able to talk about San José's work in clean tech and including our new clean tech demonstration center which is coming online next summer. There's a tremendous amount of interest in that. I wanted to announce that on Friday, December 7th at 5:00 p.m. is going to be an opening for really important new downtown business, called Casa Halisco, Halisco house. Which is opening right across from original Joe's. In a space that was formerly occupied by San José Silicon Valley chamber. Casa

Halisco is a Mexican business incubator, accelerator, a training center and cultural center for this, which is one of the most vibrant economically important states in Mexico for San José. So you'll be receiving an invitation to that. We really encourage helping them make a lot of good connections in downtown. Really pleased they're going to be there. We did some interesting work with eBay this month. eBay has been hiring 50 to 70 people each month for the last seven months. So they now employ well over 7,000 people in San José. Their combined North First Street and Hamilton avenue campuses. There's an issue where eBay wanted to allow on street parking on North First Street and even though this was a small thing staff's ability to interact and make that happen for them really make a long way in helping them feel their employment growth is supported. Also just on the positive front downtown, 10 Almaden scored a hat trick in new leases, pick up three new tech tenants recently for a combined 70,000 new square feet of leasing in a really key building. So we now have over 70 technology companies in downtown so we're really pleased to welcome three more. And then also for your calendar just to note on December 5th, in the rotunda at City Hall will be the business reception for the launch of the ANA flights. So we've had a lot of activity to get the word out. The first ANA flight is sold out, sales are going strong, and the inaugural flight will be on January 11th. One other -- two other notes on arts and culture. You may have noticed in the City Hall lobby near sixth street we've installed the winner of the international climate clock competition. Climate clock chronology competition. This is a replica of what some day could be a landmark public art piece in San José, potentially in the Diridon station area or the Guadalupe River Park, and it's all about educating people about climate change and what we are doing or not doing to reduce carbon emissions. Every day at 12:30 it opens up, and it's really a beautiful mechanical, educational, artistic piece. And then last cultural affairs announced this month, with the approval of the arts commission, a new pilot grant program called the creative industries incentive fund. So the idea is to provide small incentive grants to arts-rooted creative businesses. So in the past the city has chiefly supported nonprofit organizations. And we recognize that the commercial creative sector is also very important for both economic and cultural vitality. So we're excited to announce that new program that is being launched this month. So that concludes my verbal report for month of November. Thank you.

>> Councilmember Herrera: Thank you, Kim. Any comments or questions? Pierluigi.

>> Councilmember Oliverio: Hi Kim thank you. Forgive me, the Z logo which one is that?

>> Kim Walesh: Z is Zawols, which is an online printing company, will print on anything, not just tee shirts but skateboards and tennis rackets, they'll print on anything.

>> Councilmember Oliverio: And finally, just on the J. Crew? Are they opening another location since they have another location?

>> Kim Walesh: Anybody know the J crew details? Santana Row.

>> Councilmember Oliverio: They're moving, okay, good.

>> Councilmember Herrera: I had a suggestion on one of the questions that might be added for the walk in the business district. Are they going to be hiring anyone?

>> Kim Walesh: Oh, exactly.

>> Councilmember Herrera: If we're taking a pulse, let's see if they're planning expansion, are hiring new employees, I think that would be really good.

>> Kim Walesh: I think a lot of the conversation was about the general state of our economy, though our economy continues to do better than any economy nationally. If you look at the San José metro area, we still know there are individual businesses that continue to struggle.

>> Councilmember Herrera: Six months out and next year are they planning to hire anyone, it's good indication if their business is growing. I just wanted to mention at the committee meeting I think it was mentioned at the last council meeting I wanted to congratulate the 2040 general plan task force for an award that they won, an amazing award and that is from the APA, the association of planning, the American planning association conference. They

won for big city category. Throughout the state of California, so it's really great and I think now, you move on to compete for the national, right?

>> Kim Walesh: Yes.

>> Councilmember Herrera: So that's really a great honor that our planning staff and our general plan task force -- [applause]

>> Councilmember Herrera: Was awarded, great. Okay, so we move now to customer service improvement initiative. I think Laurel Prevetti is going to come and talk to us about that.

>> Laurel Prevetti: Good afternoon. Laurel Prevetti some assistant director for Planning, Building, and Code Enforcement. As you know a couple of months ago, we have put together some principles for how San José can deliver exceptional and superior customer service for all of development services and that includes planning, building, building inspection as well as fire plan check and fire inspection. Our principles focus around a partnership with the development community, so that way we can deliver projects in a timely and high-quality manner. It does require our staff to work in a problem-solving mode with our applicants so we can resolve issues early and quickly and then get the projects underway. Earlier in month in November we sent a team of about ten mid managers down to the City of San Diego to do some cross-learning with our colleagues down there, around how they are delivering their customer service with respect to development services. They do have a targeted individual who is responsible for ombudsman services, they also have a variety of small business ambassador type programs, and then they also have a project management approach where basically rather than having the technical planner or plan reviewer also manage the project details, they actually have individual staff members who just make sure that all the coordination and timely review is happening. They have quite a number more staff than we do and their fees account for that. So they are able to essentially pay their own way with that respect. So we did learn some great things and we're going through and seeing what of those lessons might be applicable to San José. We are in the process of filling our project expediter position itself so it may be that some of those duties get folded into the position that we're also trying to fill. And then in January per council direction we'll be

coming back to this committee to talk about our customer service commitments. The council did ask that we review those with you and have an opportunity to discuss them prior to this committee considering them. And then ultimately bringing them forward to the full council. And with that I'm available to answer any questions. Thank you.

>> Councilmember Herrera: Pierluigi had a question.

>> Councilmember Oliverio: Hi Laurel, thank you. Does San Diego fund any of their planning department with general fund rather than fee based which is our model?

>> Laurel Prevetti: For development services, it does appear to be fee based. We did a copy of their budget so we're going to look at it a little more closely. But by way of comparison their planning expedited service cost \$500 per housing unit. Ours is just a couple hundred dollars for the entire project. So completely different scale and I think we would want to work with our legal staff to make sure if we were to go on any kind of differently program than we have that we have the right nexus and that sort of thing. Clearly they're operating under some different assumptions.

>> Councilmember Oliverio: Are you under the assumption that housing subsidizes commercial?

>> Laurel Prevetti: We haven't looked at it that closely but that number of 500 per expedited housing unit definitely caught our staff's attention. It is certainly far more than we even ever contemplated charging for our services.

>> Councilmember Oliverio: Okay, thank you.

>> Councilmember Herrera: Sam.

>> Councilmember Liccardo: Thank you just on that point Laurel thank you. Was it your impression that was specific to housing or did they have higher fees across the board?

>> Laurel Prevetti: They had some higher fees across the board. Again we need to look at it more specifically. In our own work plan in San José we've thought it was time for us to do a fee study to make sure that our fees are covering our costs. We're looking at maybe doing some very targeted fee modifications. Of course we'll want to do some outreach with the business community and with the chamber before we have any specific proposals but it is important that we are cost-recovery operation.

>> Councilmember Liccardo: Yes, agreed. The other questions, about -- again about San Diego. I know that one model that seemed to be intriguing to many of us and I know Joe and I have had some conversations about this, was where a -- the equivalent of a neighborhood business district organization, whether it's a CBD or others, would essentially assume the risk, with liability policy to regulate the public space in a meaningful way. So banners, outdoor seating, all those things that we wrestle with routinely, and being able to essentially delegate responsibilities to that CBD or other organization, I know there's been some internal conversation. I'm just wondering is that something that staff is likely to be pushing in some way in the next year?

>> Kim Walesh: Yeah, we definitely want to explore it and understand it in the downtown and some of the other business improvement districts we have already. That could be quite useful in things like managing banners and temporary activities that the city maybe doesn't need to be involved with directly if an appropriate framework is put in place for a third party to do it.

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

>> Councilmember Herrera: Any other questions? Okay, I think we need a motion to approve, accept the report.

>> Second.

>> Councilmember Herrera: All those in favor, eye. Moving on, envision 2040 implementation urban villages. I think Laurel --

>> Laurel Prevetti: I'm going to start this and I'm inviting Michael Brio to join me. Michael is our senior planner overseeing the preparation of all our urban village plans. We do have a brief presentation for you this afternoon.

>> Okay. Hang on one second. We're having technical difficulties. Okay. Sorry about that. So one thing -- so just yeah, kick it off. I just want to mention that for a little while, the urban village strategy implementation team was me, an army of one. [ Laughter ]

>> But we've expanded. We actually have a full team now. We have Mark Sim and Megan Trubsell, both are Torontonians. They are from Toronto. They're wonderful. I guess a few of you, Pierluigi, I guess he's around, but he's met them. And they're really eager and excited about getting involved in this implementation in the urban village strategy. We also have Leslie Xavier, I think some of you know, who's a wonderful, great veteran planner has also joined the team and I'm still on the team of course. And then also Department of Transportation is in the process of hiring a associate engineer now, so they're going to bring an additional staff person to our team to implement. We have essentially, not essentially, we do have nine village plans that are either underway or will be initiated within the next six months so we have a lot of work ahead of us. I'm just going to highlight a few of them. Or a few of the more recent ones we're involved with right now. So we got a grant from CalTrans of \$300,000 to do two urban village plans. One is on West San Carlos street and one is on South Bascom. We are essentially doing them in parallel together. The time line for these is we really kicked them off in September, and we plan on bringing two plans back to you for approval. About this time next year. The scope of work just includes an urban village plan. It does not include the rezonings at this time although it's something we'd like to pursue and I'll talk about that more later. We had our first workshop, we've actually had a couple of workshops on South Bascom and one on West San Los in October and we're having a Spanish speaking workshop on South Bascom West San Carlos, this coming Wednesday. So we've had quite a lot of input. The attendance is I would say for each those plans is about 50 people. And a lot of the input really has been I guess forward-thinking and kind of surprising, you can see that there was one group that put a tower, I think that's about 16 or 17 stories of

residential over parking on Dick center, which is southwest expressway and Bascom avenue. So I just wanted to point out that sometimes we have sort of a presumption that the community will be pushing back a lot more. But in the case of specifically south Bascom, actually they were thinking big. This was actually a photo that was posted on the south Bascom West San Carlos Facebook page following meeting by one of the community members. The other plan that is going on right now that we also kicked off in September, we had a community workshop in October, was the Alameda. We received \$150,000 grant from VTA for this planning process that will also include developing a rezoning framework for the Alameda. And just so you know it's the portion of Alameda that runs more or less from Diridon station to Julian. And we had a -- the first workshop was attended by about 50 folks. Can you see some photos there of the first workshop. The -- there was I should mention some of you who -- were participated in the envision San José is workshops, we use legos as a tool to talk about how an area might grow and change over time. We had Legos that included legos for office, Legos for retail, Legos for residential, parking underground surface and structured parking, we also had legos for historic buildings that people wanted to identify those, and also green legos for parks. So we had -- lot more kind of a refined process. You can't really see it here but just an interesting kind of little highlight. One of the groups had a red dot, and the key to that dot was they put blow-up building. So there were a number of buildings on the Alameda that they really let me say wanted to redevelop. [ Laughter ]

>> Yes, that's a politically correct way of saying that. Again there was a lot of forward-thinking in terms of transforming, accommodating significant neighborhoods on the Alameda. That being said, also preserving some of the wonderful historic buildings that exist along that corridor.

>> Councilmember Liccardo: They're not going to blow up the muffler guy, are they?

>> No, he was seen as an asset.

>> Councilmember Liccardo: Okay, good.

>> Interestingly enough, babe the muffler man, this was his second life. He actually was Paul Bunyon in a previous life. Which my Canadian planners got very excited about. So okay, so we're undertaking three more urban village plans actually, we're really kicking them off right now. These are going to be a little bit different from the previous three plans I mentioned. These are actually funded by the city. They're not funded by outside grants. And these are really intended to be much more of a strategic focus planning process that would take between four to six months, have one to two community workshops really work closely with property owners to develop something that would be more of a model as we move forward where we can really get in and develop a plan, rather quickly. A plan that achieves the goals of property owners, developers, the community and also the envision San José general plan. There are three of them, you can see them up here, it's Stevens Creek boulevard, Valley fair, Santana Row area, and Winchester boulevard. And we'll be doing those three in concert together, although they'll be separate processes. These were selected to a large part because you know, we're hearing interest from developers, that are asking about various properties and opportunities. And I kind of lumped these into sort of the market, not that the other ones weren't either but ready kind of very market driven urban village planning processes. Stevens Creek boulevard I think we think as a wonderful opportunity particularly for employment uses with the Apple mother ship landing about there, and then of course you have Downtown San José on one end and Santana Row and Valley Fair about in the middle and BRT is of course being planned to be operational I believe it is 2015, somewhere thereabouts. And then of course there's a lot of opportunities around valley fair and Winchester boulevard as well. On top of that, another plan, I don't think we've talked to you much about at this point is, we got a grant from the strategic growth council, a state agency for \$650,000 to collaborate with CommuniCity and the county of Santa Clara on developing a village plan and a rezoning, proposed rezoning framework for East Santa Clara from City Hall all the way to Coyote creek. And it would include potential -- includes or proposals to plan for downtown hospital site and develop a proposed zoning for that site that would build off of all of the work that's been done before. We don't want to start over with a lot of great input, it's already been generated from the community on that site. In addition, this grant will also pay rezoning, Alum Rock, Santa Clara, from Coyote creek to King Road, which would implement the five wounds urban village plans that are currently close to being completed. Then the other future urban village work we're going to undertake is rezoning. We don't want to limit it to developing a series of policies, many of which could develop into general plan or policy level plan. We think it's important if you want to see these plans happen, to do -- definitely develop

zoning to develop or propose a rezoning framework. Some of the grants include money to do that. Some of them don't. And we may do them individually, but we're also really thinking bigger, I'm look at a zoning framework that could have applicability more citywide to many of the villages. And so that's what you have here. You have kind of all this mumbo jumbo of different opportunities, we could be doing overlays, we could be doing more reform based zoning and Euclidian zoning, sorry those are planning wonky terms. But those different sort of strategies that we have to look at. If we decide to go the more city route, we recognize that every area is unique and one size does not fit all so they will be tailor made for each village. Some additional implementation efforts underway is promoting development opportunities, so this is really the city, Office of Economic Development, DOT, Housing, Planning, all working together to be a lot more entrepreneurial and getting out there and playing golf with developers and talking with them at the 18th hole -- just kidding. I don't play golf, I guess I should learn. But you know, just at least talking to them, getting out there and meeting them, letting them know about the opportunities that exist out there and getting their input, quell I'll get to that in just a second. But also want to reach out to developers, not just the developers that have worked here a long time, they are very important, they will play a role in implementing or developing these urban villages, but also, looking beyond our city boundaries and developers from outside the area that might also be interested. I should mention that we are developing urban village marketing materials specifically geared towards marketing each individual urban village as developers and we're getting input from the development community on what they would like to see in terms of marketing, what would be useful to them. We're also outreaching to the development community to create real estate plans, so we don't want to just be you know of course a bunch planners like myself in a room, with the community, developing a plan. We need to ground-troop them, test out the policies and the concepts of the development community to ensure that what these plans envision or what these plans are really trying to encourage and facilitate are development products that the developers will likely want or be able to or the bankers will want to invest in in the near future. On top of that we're engaging historic preservation and development community, particularly focused around how -- what are some principles for addressing or integrating or how to deal with historic properties, structures, particularly the mid century buildings which are kind of new in historic world, you know a lot of the buildings built in the late 1950s early 1960s are technically becoming historic now and not the typical type of resource that we've seen as historic. One example of a structure like this is the Century 21 movie theaters on Winchester across the street from Santana Row. Those are some buildings that present a lot of -- the properties

present a lot of opportunities, but there's a lot of questions about how -- what would you do, how could you save, how could you integrate or what are you going to do with those mid century buildings like the theater. Of course we are also in the process of measuring our performance. This general plan is really geared towards being a measurable general plan, ongoing report cards how well we are achieving our goals, we are in the process of doing that, looking at transportation mode choices environmental sustainability and economic development goals are we on track and we'll be bringing a progress report or expecting to bring a progress report to council in March of 2013. And that conclusion my presentation.

>> Councilmember Herrera: Well, thank you Michael and welcome. To all the new planners we're all excited having them on board. I understand it was a national search, and we've managed to round up some very creative folks so we're looking forward to -- or international search. We are looking forward to all of us meeting them and working with all them. Questions, Pierluigi.

>> Councilmember Oliverio: Thank you. I do appreciate the comments on realistic plans. I think cities all over have realistic plans and sometimes they are much more driven by resident wishes versus reality when you have this gigantic park that just sort of floats into the sunset when there's really no way to fund that park or it's someone else's property that's already housing an existing business for example. So I think that's really important because as we do these, approve these things in front of the council that there's actually some reality in what we can do now. So any and all that is appreciated. And then secondarily once this process is done, can you explain the before process of a development versus the after process of once the plan is passed? I.e. I have a parcel of land, I want to develop something on it fairly substantial, I'm going to do it today versus I'm going to do it six months from now when the urban village plan.

>> The process, what would the process look like with the approval of one of these plans?

>> Councilmember Oliverio: Yes.

>> One of them is the plans would include the parameters on terms of what use he are permitted where and the scale, intensity of development and some basic urban design principles. So in a sense, the general plan policy work will have been done. It makes it very clear to the developers in temps of what they can expect is likely to be able to be approved. So I think the other big piece of it is there will be a community engagement process that will include the community and a number of stakeholders that will reduce the amount of risk and uncertainty a developer might have. For instance if a developer is looking to develop a tower, or maybe tall, five or six buildings on a property in a given community, the plan will essentially have -- be council approved with community buy in plan that will say this is what this community wants. This is what the city wants on this site expel as mode of to having risk where the developer may not know exactly or there's a lot of uncertainty about I'm proposing this or the community they maybe pushing back. In other words it is very clear in termination of what the expectations are. Secondly what we intend to do is also have or we will have a CEQA clearance for these plans. So it's maybe a more 30,000 foot, what we call a programmatic CEQA clearance. And there may be potentially need to be some follow-up clearance with a little more detail. But some of the environmental clearance or much of it will be all completed. And thirdly we intend to develop proposed zonings that the council would consider at a later date that would clear that need to do a zoning step as part of their entitlement. So the way it is now, in some cases you would not need a new general plan amendment, in some cases you might. And then once you've cleared that hurdle if you need to there would be a rezoning required, possibly more extensive CEQA work. When the plan is approved, the general plan policies would be in place. Ultimately we see that the zoning and the CEQA clearance would be in place, as well.

>> Councilmember Oliverio: Okay for those following at home, there's a level of complication. We had the midtown specific plan and we have the Ohlone plan that was proposed and guess what the midtown specific plan said there would be a tall building there. Yeah, we had 25 public meetings. So what I'm trying to -- curious, if we're making this plan that says there will be a tall building here, does the conversation sort of is 90% done once we pass this urban village plan? Because it would seem -- having to go through that again would be mind-numbing.

>> Laurel Prevetti: What we're really trying to do is facilitate development and it's always hard to predict how much community outreach or interest there will be. We're hoping by engaging the community now at the early

phases there will be that initial buy-in so that way as actual development proposals come forward there will be a level of comfort, and then way the project can proceed without as many community meetings. Certainly the Ohlone was a little bit unusual in terms of our typically development process. But I think the big take away is San José is open for business now. We have a scum of great sites that are available for business development, housing development et cetera and with the urban villages it provides additional opportunities for growth, particularly for residential growth. Because as a jobs-first general plan a lot of these urban villages are open now for employment types of development but the housing won't get turned on until the urban village plan is completed.

>> Councilmember Oliverio: Thank you.

>> Councilmember Herrera: Sam.

>> Councilmember Liccardo: Thanks, congratulations Michael and Laurel and Susan and Andrew and everybody else who earns that distinction for that wonderful award, it's grade to hear that we're moving on to the nationals, here we go. I wanted to check in about the funding. You mentioned it was going to be General Funded, I think it had to do with general plan savings that you're going to roll over to pay for the Winchester, Stevens Creek and Valley Fair. I'm wondering how time sensitive it is that we move forward with those, because this week MTC will be voting on the allocation of \$20 million to be shifted in their -- try not to get into all the acronyms but I think Laurel is pretty familiar with most of these or all of them. Basically shifting the regional Bay Area BA -- I'll get the initials for you shortly -- shifting from the pot of money that would be allocated ordinarily to the CMAs is now going to go apparently to be distributed ultimately to cities for PDA development. And that's specifically only for planning grants. So there's going to be a lot of money in the next couple of years that would be out there and I'd hate to think we'd leave that on the table if we're too eager to lead with our own. If there's some flexibility, do we have an ability to hold off and get those grants, or are we likely to plug ahead?

>> Laurel Prevetti: I think we want to proceed ahead with the dollars that council has given us for the current fiscal years for the market ready, what we're calling our market ready urban villages, Stevens Creek, Winchester,

et cetera. We will definitely be applying for money coming from MTC for our other brighter development areas. We have approximately 70 urban villages to plan so we definitely have a lot of areas we want to get down into the southern part of our city, into the eastern part of our city and really make sure that we're creating opportunities city-wide. So we'll definitely be participating. Our experience with MTC grants is what we're living with with the Diridon plans. We already have some experience of work through that process and we hope that our future villages will be competitive as well.

>> Councilmember Liccardo: Okay, great. I was a little concerned, Michael when you mentioned that additional CEQA clearance may be required, after you and everyone have gone through extraordinary amount of work in clearing at a program level. And guess I'm wonderful, to what extent can we really finish the job in terms of environmental clearance, once rather than going back to -- for additional cuts? Because I think we all know what happens with delays, with litigation and everything else and how that deterse development particularly if it's the kind of development we want to see.

>> Laurel Prevetti: Right and we share that concern that you raise. I think we wanted to be clear, to the extent we can provide all the environmental clearance necessary we will definitely do that. Again, with the City's General Fund, the leftover fund from the envision process, we do have dollars set aside to do an environmental impact report which will help us with project-specific traffic analysis and identify some additional intersections so that way places where road congestion would be okay, but other types of investment such as pedestrian or transit or bicycle investments would be better, that would be wrapped into an EIR. We're in the process right now of writing a request for proposals which should be posted hopefully before the end of the calendar year, asking for consultants who are interested in helping us with environmental services or urban design services to step up and apply to become part of our process. We'll award that contract hopefully in early 2013, and start the environmental work for some of these key intersections. So as much as the city can continue to facilitate development by getting those to-do items off the list, whether it's an EIR, protected intersections et cetera, we would very much like to do that. We're looking at our budgets now in terms of historic resources because that's the other kind of project-level detail that might need additional environmental clearance as well.

>> Councilmember Liccardo: Okay, thank you. I appreciate your emphasis of trying to do it all at once if we can. The last question really around public space. I think Pierluigi's point is well taken that there are often great ambitions around parks, plazas and other kinds of opportunities for public space and gathering spaces in these urban villages. And the real challenge is when parcels are owned by 30 different owners, we don't have sort of that Santana Row opportunity avail itself unless we have consolidation of parcels. Back in the good old days we had the Redevelopment Agency with money to throw around but that doesn't exist anymore. I've heard about L.A. and some other cities doing some creative things with zoning, allowing up-zoning where there's consolidation and creating incentives basically for owners to work together with master developers to create larger parcels so you can create these opportunities for plazas and public parks. And I'm wondering, is that something more explicitly considering and really trying to engage in these plans?

>> Yeah, I mean we definitely will be looking at that. There's a lot of questions regarding implementation and we are going to form that really as an implementation staff team of representatives from all of the different departments to figure out a lot of things like this. Because there's a lot of questions with the loss of redevelopment and how you go ahead and can you -- you can build those parks, how do you encourage property owners to assemble properties? And many cases these areas will not redevelop unless you can do that. And how you get a lot of the improvements, what are the financing mechanisms to get many of the streetscape improvements, pedestrian improvements, you know, roadway changes in addition to parks. So we're looking at all of that and then specifically, related to parks, you know, PRNS, parks planning is really in the process of getting their head around a different park model. And we're all grappling with that in terms of you know, in the past of course historically we have rather large parks that have baseball fields and basketball parks and we want them in the future and need them in the future as well. But in a lot of these villages as you mentioned, the spaces, opportunities are a lot less. If there are opportunities what can you do as you said to encourage private developers to assemble land and maybe build a private yet publicly accessible space, like you see in many cities, Santana Row has many spaces like that and San Francisco as well. So it's really a different model. So yes, we're building off the past but really getting our head around, how do we move forward given the ways we have done in the past aren't necessarily possible in the same way anymore. So.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Ash.

>> Councilmember Kalra: Thank you. It sounds -- having been born in Toronto, sounds like you have brought a couple of good people aboard. Sounds like we're continuing along the path in the right direction but it's really tough. It's a tough journey, I think the growing pains, I think as demonstrate, as Pierluigi mentioning how folks come out and you have all these public meetings, even though we have a plan for something the public may not necessarily be on board. I think that's where we really have to work that much more closely with the neighborhoods and with the community. Because the type of undertaking we have definitely is going to have growing pains for many years to come. And I think that we also should start, I think as a city we should start to be a little more, not just when approaching the community and the neighborhoods but with the developers, a little bit more firm with what it is that we want and to mandate certain things we want because they're getting something -- they're getting a lot out of it in the terms of development. If we want more open spaces if we want more art if we want more you know integrated parks with retail you know we should be very clear, exactly what we want. And just going back to the prior presentation because this all costs us a lot of money when we have San Diego charging \$500 a unit for their expedite permit fees clearly this city it seems like as of late even adding \$1 to developer fees people cringe. We have to change our mindset and realize this is our city and we need to put forth what we expect as to how this city is going to develop in the future and those that want to come in and develop are going to make a lot of money off of either city property or city entitlements and we should at least I think the public deserves to have something in return for those entitlements.

>> Councilmember Herrera: Well, thank you for the report. I just wanted to know, we've heard about spur and its involvement in this planning process. How are they involved? With the village planning?

>> Laurel Prevetti: Well, spur is one of our community organizations some as is transform which is a transportation organization. We are very active with green belt alliance, Sierra Club and other nonprofit sector is actively involved, we invite them to our community meetings. They've come to our community workshops. In fact,

transform is helping us with with our Spanish large workshop that's coming up later this month. Spur doesn't have a specific role as an entity but they are welcome to be a part of the table and join our community as we plan all of the urban villages.

>> Councilmember Herrera: I was wondering about the villages we haven't named. I know there was 70 and I've lost track of exactly. Are there villages in every district of the city?

>> Laurel Prevetti: Yes, there are.

>> Councilmember Herrera: And I know in my district the Evergreen village square is considered a village, right? Joe?

>> Yes. That's correct.

>> Councilmember Herrera: Quickly, Joe. It seems to me there's a lot of opportunity in different parts of the city and especially in the suburban areas we have old retail that you look at it and just can't imagine who's going ocoming in with the money to redo this but if there was a plan, if there was some kind of an ability to look at something, some kind of a transitional plan to see some of that retail change, old strip malls, dilapidated things that are going to become increasingly blighted areas if they are not redeveloped. They were not in redevelopment areas, clearly not now, do you see the village plan encompassing things like that, looking at recreating some of these old retail areas?

>> I mean I think it can. I think when we do a village plan one thing we could look at is sort of interim staff, so the ultimate development which might be three or four story development, you know height tall buildings or maybe a few towers, it really depends on the area. That could be 2015, whatever years from now, but we could identify sort of policies and strategies to revitalize an area sort of in the interim. So that the existing commercial uses that may ultimately be envisioned to go away but for the next ten years that they may exist, you know how can the city support or what can be done actually to make them more vibrant now.

>> Councilmember Herrera: And also as part of a village plan do you look at if there's a park nearby how does that get integrated into that plan?

>> We definitely will. I think that's actually with these planning process necessary many communities it's going to be more how do you enhance and improve accessibility to existing facilities versus trying to build a brand-new large park.

>> Councilmember Herrera: So maybe connections or trails or some way to connect it.

>> Right.

>> Councilmember Herrera: I look at there's an area in my district that is not a village yet, but probably will end up becoming one, I hope, the mount pleasant, used to be the Mount Pleasant golf course and it's right adjacent to Lake Cunningham. So I would think any type of looking at that development would have to take into account its proximity to lake Cunningham and how that could enhance access to that park and the uses of that property.

>> Right.

>> Councilmember Herrera: Thank you very much. I think we need a motion to accept the report.

>> Councilmember Liccardo: Move.

>> Councilmember Oliverio: Second.

>> Councilmember Herrera: All those in favor? Aye. I think we're going to take out of order? We're going to go next to plex can heritage plaza. We have a lot of people who are waiting to talk to us about that. We'll move on to item 5 on the agenda. And who's coming up?

>> Kim Walesh: So I think we have, we have a lot of people in the audience, welcome everybody.

>> Councilmember Herrera: I'm sorry, I did not call David wall for a comment on the last item. David would you like to come up and speak on that. I apologize for that.

>> Thank you, welcome back from the holidays. I'm very much concerned about this urban village process. We talk about community involvement, but yet in reality, just a handful of people show up with reference to the entire population of the city. We see no plan for food production. Since I'm the only one that appears to even dress like a farmer, I have concerns of where I'm going oeat. As far as the new vision for parks, we see council routinely reducing or eliminating fees on all new high rise developments for parks. And also for car parks. Where are they going to park their cars? They're park them on the streets, causing blight as I speak. What I'm also concerned is the doctrine of rezoning and eminent domain and also the effect of realities values. Let's say for example, if somebody wants to put up a ten-story building next to my house I'm not going to appreciate that. It's certainly lowering my property value having that type of blighted property with no parks, car parks on the street, garbage everywhere. So I think this whole process really should go forward on a ballot measure. Because I forsee a lot of people in this city not liking this whole urban village approach whatsoever unless you're a developer because that's what it's basically prone to. Thank you very much.

>> Councilmember Herrera: Would anyone like to reconsider the motion on accepting? Okay, so we will move on to Mexican heritage plaza update. Norberto Duenas and Kerrie Adams Hafner and Connie Martinez and Tamera Alvarado.

>> Norberto Duenas: I'll start it off. Madam Chair, members of the committee, Norberto Duenas, deputy city manager and chair of the advisory committee on permanent governance for the Mexican heritage plaza. My role today is to basically give you a little bit of background and time line. On the effort of the community. Just to remind you a little bit, taking you back to 2008, and this is when the Mexican heritage corporation, relinquished the operations at our plaza. And at that point in time the city takes over the facility and begins the manage of the

transition. The council forms a steering committee, to conduct outreach, and develop the vision for the school of arts and culture. And that steering committee worked for the period of 2009 to 2011, and dozens of meetings held out in the community, a lot of good work by the part of the committee that took us then to 2011. And to the city council. Where the business plan for the school of arts and culture was presented, and adopted by the city council. As part of that action, the city council approves a three year agreement with 1stAct to serve as an interim operator and they have been doing a fantastic job and we established the advisory committee on the permanent governance to begin to discuss the future of the plaza. Our goal, based on council direction, was to appear before the arts commission which we already did that, after -- before the Thanksgiving break and now we're before you, to give you a status update. I would like to introduce members of the ACPG committee. Some of them are here. If you could please stand when I call your name and remain standing until I call all of you some so that members of the committee could see who you are. There's a great group of individuals, very caring and very committed to the success of whatever happens next at the plaza. Al Castelano, who was not able to be here with us today, also a former member of the steering committee. Roy Herabayashi is here with us today, thank you Roy. Connie Martinez from 1stAct Silicon Valley, Gabriel Montes from the Latino Leadership Alliance, Miguel Salinas from the Adobe Foundation, Carmen Sigler from the 1stAct, also Silicon Valley, Linda Snook from MHP steering committee, and Jessica Sank who is from the San José's arts commission who could not be here, unfortunately, today. Thank you. The next information to share with you is a little bit on the role and charge of the ACPG. Clearly, it's to actively participate in the development or identification of a permanent operator. We have been meeting quarterly, our meetings are open to the public. We follow the Brown Act. They're publicly noticed. Our attendance by our committee members has been almost perfect during the whole period of time. Again, everyone very engaged, rolling up our sleeves and doing the good work. We are right now at what we consider a critical path on the time line. As we begin to reach our goal of forming a recommendation by May 2013. So at our quarterly meeting in May of 2013, we should have a recommendation that we would then be forwarding to the council, probably in the month of August, if we could do it before the end of the fiscal year we would try to do that. So with that, I thank you all for listening and I'll pass it over to Kerrie that will walk us through the next few slides.

>> Thank you, Norberto. Kerrie Adams Hafner, I'm the director of the office cultural affairs. I'm going to give you a brief overview of the committee's work to date and also of their key next steps. What the committee did is took a look at their critical path. We currently have a three-year agreement with 1stAct which has now transferred that to the schools of arts and culture at MHP. And so that agreement ends in July of 2014. And so we knew that we were going to need time to get the permanent operator in place, and give that permanent operator appropriate time to plan to prepare to take over the operations of MHP. And so what we did is, we developed the goals and the time line for quarterly meetings. And as Norberto mentioned we wanted to make a recommendation to the council by late summer of 2013. Also, the committee has adopted revised guiding principles. The steering committee, they had developed a set of guiding principles for the school. But because those were untested, the interim operators had the opportunity to share the committee what's working and what we can further refine. Additionally, the committee has adopted criteria for the permanent operator. These have been the criteria and consideration are in your packet. Primarily, these relate to the program and mission. The governance, financial history, expected standards of practice, artistic program, and community engagement. And also, the committee determined that they wanted to strike a balance between pragmatism and also transparency. And they recognized the extensive community process that has taken place to date. Prior to approaching 1stAct to ask them to take over the operations of MHP, the steering committee had also approached about five different community based organization he and asked them if they would be interested in taking on the operations as well. For various reasons none of them wanted to go forward and so that's when the steering committee had approached 1stAct. So recognizing that there aren't a lot of other community based organizations that have a mission aligned with the school of arts and culture at MHP we recognize that we want to do a fairly light but transparent process. And so the committee developed the approach to issue a request for letters of interest to community based organizations. And we will ask interested parties to submit a letter of interest to the city that will be fairly light, maybe 2 to 3 pages, and outline their approach. We have a series of questions that relate back to the considerations and the criteria and we'll also ask them to submit information relatively to their staffing and qualifications as well as personal history. So in terms of next steps, we'll be issuing a -- we'll be finalizing the requests for letters of interest and disseminate those. We'll be publicly noticing what we're calling the RFLOI. We'll put it on the city Website. We also have a very extensive e-mail list we have for every public meeting we send out the agenda packet to about 500 people. So we'll also send it out through those networks and then we

will also approach those organizations that we have approached previously, to see if they might be interested in responding to or submittalling a response to an RFLOI. Appropriate amount of time to have interviews with any interestparties and then also a follow-up with asking them to submit any additional information as appropriate. And again, just want to reiterate that we'll be forming our recommendation to the city council by the end of summer 2013. And then I'm going to turn it over to Connie Martinez and Tom Alvarado. They're going to talk about the interim operations. Before I do that I just wanted to acknowledge the really strong partnership between the city and 1stAct Silicon Valley. This has been a very productive and very informative set of years here. What I think you'll find ask that the concepts that was developed for school has really in practice working out very well. The vision is really becoming a reality and it's been very heartening to see all the good work that community members have put in. I would say hundreds of hours over years and years is really coming true. So I think you'll be very heartened to see the good results of this work and the fees are really growing very nicely.

>> Thank you, Kerrie. It's good to be back. You may recall we were here, gosh I think it was 18 or 20 months ago. And we had written this 50-page business plan that you all read. And just like anything else, plans are wonderful, but execution is everything. So it is heartening to come back and share some good results with you today. So Kerrie really stole my first headline which is, well, I have really three headlines. I'm going to put them all out there and then give you the data to support them. The first one is the business model is work. It really is. And the community is engaged. And they have a solid team in place. And when we started, you actually are hopeful and you can plan but you don't know it until you do it. So I think we're really, really excited to be here to share the results. We ended our first year, just had our accountants do our final audit for the year and we ended 226 -- 26 thousand in the black. Half of that was restricted but still we're in the black. And so we feel really excited about that. Also just to remind everybody. Our plan was from the beginning to reduce the expenditures for city, the expense side of the equation for the city. Not to eliminate it to reduce it. In the first year we reduced it by 15%. Next year 25, and third year in operation where we hope to be in the steady state of our partnership, it will be about 50%, from what it took you folks to run it. So we're really proud of that. One part of our key to our success is leveraging this facility as best we can with the earned income side of it. Happy to report in year 1 we've doubled our earned income. And so that's really, really helpful because part of our strategy is to be able to use that to subsidize the community partners that we have so that they can actually afford to use the facility. So that

seems to be working really nicely. We also have had earned income from our tuition. So the school, we almost hit our goal. It was just 4,000 short in the first year. And that primarily came from that immediate community. About 90% of the kids that are going to that school are from the immediate neighborhood, not all. And we also year 1 we met our fundraising goal. I would say those are pretty darned good first year results. As far as the community we have been tracking the number visitors to the plaza. That nearly doubled in its -- over the year before. And here's a huge indicator of activity. Year-before there were 56 events on the books. We posted 362. That's all the way from your small community neighborhood meeting to a huge multi-hundred-kind of level engagement like the Tyco performances or community events that are planned in our -- first we had a Pachango that we had 800, holiday celebration we had 800 community members. So a very wide range, and Quincineras and weddings in between. So that's all great. 500 children went through the arts education programming, which is the multisession programming and then another 2500 children participated in cultural programs. The last item is really important for the future. And you may recall from the business plan, we laid out two scenarios for permanent governance. A home grown team or somebody from -- some organization appears out of nowhere and says we can take it over we can do it and it fits our capacity and our mission. So we've worked hard at building the home grown team. There's a great team in place. The -- most of them are here. I want to introduce of course you know Tamera Alvarado who is handling a lot of the external functioning of the plaza. And Vanessa Shay, would you stand up, Vanessa? She is our assistant director and handles all the internal functions of the plaza, and Aurelia Arguello who is are director of education handling the school. We have five full-time employees. We outsource events management. We outsource facilities management. It's a solid, small but mighty team. And as Tamera will be talking about, what one of our strategies has been partnerships. And so we never intended to do all the program. We've leveraged partners and that has gone extremely well. And an unintended consequence and surprise was, we embedded the MALI, multicultural arts leadership institute, inside the school, and as you may recall, Tamera was heading that up. And what we didn't realize how integral they would be to the success of the overall plaza. They are a lot -- they are a part of our partnership network but they are also providing a lot of content and connections for the school as well. So we feel that at year one, end of year 1 our operational infrastructure is in place as that we've taken great care of your facility. We're very excited about that. Tamera's going to give you a sense of what we're doing in the school and the partners we're doing things with, and I'm going to close with the priorities for 2013.

>> Thank you Connie. I have been tasked to be a little bit dryer for this committee. I was a little flowery so they asked me to be a bit more dryer. So here goes. A couple of things. So this slide if you will, sort of reiterates what Connie was talking about. And I like to call this the three buckets if you will. I know there's four bullets but when you look at the integrated community vision when we talk about what exactly is the school I ask people to think about these are the three buckets that we're up to. Right? It's quality arts education. I'm coming to a class on a weekly base for a ten-week session and there's a faculty member running around in the back who can speak to that. And then the going broad with opportunities to engage the community, we'll talk more about that. But we have definitely gone from the resident arts partner model of the past, where there were three entities, in our opinion unfairly tasked, to actually create enough content for that size facility, for that size vision. So now we've taken that and created relationships with over 20 entities and that's growing and we have more potential there in terms of the community engagement and we'll talk a little bit more about that. And then the third bucket which is really the market rate rentals and that's increasing visibility and venue offerings for private and public events. One thing we're doing that's really different is actually having multiple events on the same day. That was something that wasn't being done before and together with giant creative services with Chris Esparza we've been able to do that, work with the internal team and with his team and be able to say we can have a theater production and a wedding at the same time and actually everyone wins in that situation because everybody is given a little bit of a discount for doing that. And in terms of meets the ongoing needs of the community what we mean by that are things that we heard through focus groups and through town hall meetings and when I say we I mean the larger we. I remember being in this room or some room with focus groups and town hall meetings that several of us helped to facilitate, and people kept saying there's a lack of consistency there. Great things happen there, once or twice but maybe not on an annual basis. So the community has been very clear we want traditions to be built there. We want consistency. So I think the staff may also be tired of hearing me talk about that. And I'd be rereplies if I didn't mention Gary thing's article that came out a week or two ago which actually I thought did a really good job of bringing things together. So thanks Gary, I say that dryly. Oh and also, wanted to say about Molly. About the multicultural arts leadership institute. Which Roy Herobayashi, who is here, and the former executive director of teatrovision and I co-created about I guess about seven years ago now. So you know to be quite honest when Connie had the good idea of putting this into the business plan, the business model I did not

like it at first because of all the sort of community feelings that everybody was having including myself, and I thought no. That's not a good idea Connie. But it was a good idea. Publicly stated. A great idea.

>> She always excess no, before she says yes.

>> Well you always say, you're not going to like this. So next slide, if we can is it possible to show this? It's 30 seconds.

>> Councilmember Herrera: We're not that dry. Show us the film.

>> It's something we did in partnership with literacy. If it works up. [ Video plays ]

>> We specifically chose that because it represents precious knowledge and also we specifically chose the colors lime green and the bright orange because we felt that they are -- well, there's a couple of things. One, they are are not gang affiliated, and we felt they were very Mexican, which is our root culture. So we look at the next slide, I'm not going to read through these. Basically I just want to highlight a few of the partners. One that is not actually listed is opera Cultura, we just had a great run of L'Ayurana, oh, it is, I'm sorry. And then also Abanaya just had a run of Gandhi, which was fantastic. San José Tyco, it was great. This was the first time that Tyco had had their annual show in San José, so San José Tyco was having their annual show there, in partnership with ZeroOne. And that was a great, great production all around. Also we started a new partnership with San José jazz. They had their summer camp for the first time, right before our own summer camp this past summer and this December actually they're loading in today, San José youth ballet, which primarily draws from your district, Rose.

>> Councilmember Herrera: Evergreen. You stole them, but that's okay. I actually encouraged them to go.

>> Thank you, they've been great, they've been fantastic. And they'll be in-house for two weeks with the nutcracker.

>> Councilmember Herrera: And it's a great nutcracker by the way.

>> It is, it is, I've seen it. So couple of notes I just wanted to make. One is that we have 1stAct has stand or I'm not exactly sure what the legal terminology is, but we have established a separate 501(c)3 called the school of arts and culture at MHP so from day 1 we have approached this as dubs with the mindset of a permanent operator. So we've never been at in in an interim fashion if you will and the other pieces that we will be applying to the request for letters of interest process that the ACPG have put together. So I just want to be really clear about that. So that we're in no shape, we're ready to go, ready to do this on a permanent level I guess it would be. Even though this process will take several months. Did you want to add something Connie, we have a couple of quotes. Just a couple of quotes you can take a look at. And you'll hear from people here as well, but the two, there's two, one from Dustin, age 14, after taking this hip-hop class I feel confidence about myself, I know I can dance. And then from Luciel, one has to learn one's way of being, age 12, wise young man. Okay, and then I'll hand it over to you.

>> Okay, just to wrap it up. So 2013 on the financial end we want to continue to diversify our funding portfolio, we think that's really important for long term sustainable. We did well with earned income but we believe we can still grow that another \$200,000 or so in the near future and in the community partners will continue to grow with as Tamera said. As far as the school, we were very deliberate in growing the market rates and the staff rentals with the program, we were much more wanting to grow slow and steady. And so we've seen ongoing attendance, the trend is upward, and but we want to do it very deliberately and carefully so we will continue to focus on making that stronger. And part of that is to have the evaluation tools built into the process. So that takes some time and energy and thought so we're doing that in 2013. At a deeper level. And we're also building relationships with the three local schools. And those partnerships are going oblossom. You're going to see them in the coming months and years ahead. So lastly and this really speaks to some of Tamera's comments and my earlier comment, I realize it's kind of flippant, but I really when we set this out in terms of who's going to run this facility we could only think of two things. Either you grow your own which is what Tamera's team is all about, or we actually nurture a rim with an organization that would see this as an expansion of their mission. And when I started down this path truthfully, this is me speaking, I believe that that was still a possibility. Now, that we've been in it and I've seen what the team is doing and what the community, you know to bring someone -- I just -- I personally believe that

the home grown team is solid and it's the way to go. So we're going to be working hard on that transition. And our board by the way has you know, been there every step of the way. Rich Bryce is in the audience, our board chair 1stAct. As you can imagine, this was bold of them to let us accept this responsibility. And we took it very seriously. And have learned a lot. And but we want to help recruit the permanent board for Tamera that will be part of her letter of interest, as -- she will be applying as the executive director and three of our board members have already agreed to be on that board. So I think by the time we stand before city council you're going to see a very solid board in place as well. Thank you.

>> Councilmember Herrera: Great, questions, Sam.

>> Councilmember Liccardo: I just wanted to say thank you and congratulations. It's really been an incredible run. Really want to thank you, Connie and Rich for taking a risk with your organization, a huge risk. I think we had seen many years of disappointment in many ways, and this has been really extraordinary. I think we all knew there were a lot of eyes on this, big risk for your organization, and what we've seen happen has really been extraordinary and Tamera thank you for your leadership. I'm thrilled to see the direction here. I did have one question about the money. And I'm sorry to focus on the money, because it's the least important.

>> That's okay, we like that.

>> Councilmember Liccardo: But it is important at times.

>> Councilmember Herrera: It is the direct.

>> Councilmember Liccardo: Yes. In terms of the revenue that's driven by programs, it looks as though the tuition that you get is a very small percentage of that, is that right? Is it basically Quincinera and wedding money that sort of finances a lot of the other activity?

>> Well, we raised over \$300,000 in contributed, so that most of the children who attend the school actually have scholarships. So that money is raised for them, 90%, okay? But they pay something. We have a philosophy, everyone pays something, no one is turned away, okay? So then the other sources are in our partnerships, they also, if there are community partnerships they pay something but they don't pay market rates. So when we look at the earned income that \$300,000 plus bucket that's a combination of some community organization he paying a smaller portion of rent and the balances is earned income from weddings anything that's market based.

>> There's quite a bit of activity in the theater also in terms of the market rate. So I mean potentially, I'd have to get the exact number but just to give you an idea within the classical Indian dance company community, I know we have probably at least ten to 15 companies that use the space. Outside of the one that we all know of which is Abanaya. So definitely that philosophy of everybody pays something but no one's turned away we work hard to make sure things are accessible. So that's why the multievent days are really important, everybody wins. I would say definitely for us we're very conscious of the money because of the past, not only because of the past but that's a significant push if you will on us that we don't want to fail.

>> Councilmember Liccardo: Much appreciated. The 330, I think it's \$331,000 in earned, that's separate from contributions; is that right?

>> That's separate from contributions, yeah. So another 300,000 came from contributions and another 31,000 from earned -- from the tuition. But it's absolutely the small eggs portion. We never believed that that would be, that the tuition could carry the facility. And that's why -- but all of our fundraising is focused on the school. Because between the city partnership and the earned income and the tuition we pay for everything else.

>> Councilmember Liccardo: That's great.

>> Just to give you an order of magnitude, for example, I think one student's cost for a two-week summer camp, all day, food included, true cost is about 6, \$700, or so. We charge \$250. In addition to that, we also have the

scholarship program where parents can trade their other resource which is time. So it's just to kind of show you where -- and we will -- I mean we have several families that are from three to five to six.

>> Councilmember Liccardo: I see a lot of parents in there so it's great.

>> Yes.

>> Councilmember Liccardo: I'm thrilled and I'm particularly enthusiastic about seeing the afterschool program grow. I think that's so important to be pulling kids in and having them feel that that is a place where art happens, it's fantastic.

>> Councilmember Herrera: Ash.

>> Councilmember Kalra: Thank you. I thank all the same people Sam just thanked, including the advisory committee. And although I prefer the fiery Tamera, it certainly was a acceptable presentation today. I think it's great. I know that it was certainly ambitious. It's an ambitious undertaking, seems to be going well and we'll continue to cross our fingers that the growth continues and that the use of the facility continues. You know, I also, certainly prefer the home grown team with -- especially early on when you went out and kind of of did your research and did your homework as to what models can work. But having a home grown team you know what will work here, and that is what's really important, and I think of particular note in the community engagement part is really significant to me I mean obviously as Sam asked questions about the money we have too, that's kind of what spurred this conversation. We didn't have the money in the city to keep it going with the model that we had. But I think an equally important part was kind of breaking down the walls so to speak and making it a true community facility and you know I've had a chance to go to the summer program and I agree with Sam I think it's great to see so many parents involved there. I think it's a great way to have them you know make up for the difference that they can't, you know they can see that they're very into it as well which is nice. But seeing the tens of thousands of community visits, and in particular the events, I always wondered why that facility wasn't being used more. I think it's such an amazing facility, and I think now it is being used on average at least once a day. I

know that some of them might be smaller community meetings or joint events happening at the same time but that's I think least is to see it happen so quickly. I'm not surprised that it's being used that much but I am surprised how quickly you got those numbers up. I'm very impressed by that, and so I hope that as more people use the facility, it just continues to spread the word that there's this great facility that I'm glad to hear about the Indian classical dance. There's always been a need for stage theater type facility that's accessible in a good location and there's also some Indian theater companies that would probably be really interested, because they always have trouble finding suitable locations. Given the theater size is a really good size for the audiences that they attract and finally of course, just the education piece of it is critical and obviously I know that's why you focused the fundraising there because people are willing to give to education, willing to give for the children and it seems to be paying off. I think we are certainly on the right track and I look forward to coming back next year and see seeing what the final kind of forward-looking proposal is as to how we continue the work, so thank you.

>> Councilmember Herrera: I just want to add my thanks to everybody. Connie a special thanks to you and 1stAct for really taking this on and make it happen. And Kerrie, Tamera working together and putting together a team and approving it could work from within and building from the resources at hand. I think many 90% of the kids that are using this are local and around the community so I think we were all concerned about that. You know this is a community asset. Is the community right around it going to benefit and had we brought in somebody else from outside and done something differently we might not have that result we see now. That's the furnish part, the flowery part but I like the numbers, too. The numbers are working. Not to beat that to death, but I wanted to make sure I understood. The actual money you raised not the earned income, is that \$300,000, so you are over \$600,000, then?

>> Oh yes.

>> Councilmember Herrera: Between earned income and money you raised. In your slide it said you said you saved the city 15 -- decreased it by 15%, was that of the 600,000, then?

>> No, no, the expenditures you had in 20 -- the year that you ran it, the year before, we were able to net, get you down 15%. And we continued to go down until what we have proposed in the business plan you hit sort of a plateau of investment that we think is needed for ongoing.

>> Councilmember Herrera: I any there's something like \$500,000 a year.

>> I think it's 450,000.

>> Councilmember Herrera: Sinking fund.

>> Yes, are we doing the sink fund yet? We are.

>> That's been implemented.

>> Councilmember Herrera: Great, thank you.

>> City staff, office of cultural affairs, public works, often especially around the facility, under Vanessa's direction the city staff will actually take a look at things that need to be fixed and do it for cheaper. And so they are looking out they really have great ownership over the facility and that's helpful for everyone.

>> Councilmember Herrera: Is there any thought down the road in terms of -- I know this facility wasn't planned at a time when we were look at the new environmental standards and trying to make it energy efficient. Is there any thought long term into how we can build that into the equation to save money in terms of energy? I know it's longer range but --

>> I know that our facilities management group has done an audit on has engaged PG&E for an energy audit as well. I don't know, maybe Vanessa do you have any information?

>> Actually we just (inaudible) switch out all the lights to light efficient.

>> Councilmember Herrera: Great.

>> We are on that mode. Right now we (inaudible) finding ourselves (inaudible) sinking fund and so for instance taking some critical equipment (inaudible) (inaudible).

>> Councilmember Herrera: Great. Well, congratulations, I like others who have said up here look forward to the next phase you coming back to the council but I want to congratulate the team that's been put into place. You're doing a tremendous job.

>> Councilmember Oliverio: Thank you for the presentation congratulations on the road so far. Question for you from what you can anticipate of utilizing the facility to its maximum potential, what do you see is the maximum potential that you could bring in in future years? Guessing I guess.

>> Are you talking about money or number of people?

>> Councilmember Oliverio: I guess revenue and I guess that's a mix right? Because if it's local community members that are on scholarship versus families coming from Los Altos that would pay full price that's a mix.

>> None of my answer he are going to be exact.

>> Councilmember Oliverio: I wouldn't expect them to be, just hypothetical.

>> A lot of growth potential. Pretty hard for me to come up with a number. I might pitch it to Lilia if she would be willing to take a stab. Know that we have a lot of capacity on the facility side. I think that even though we've got 360-some-odd events, that the mix of the events can change and grow. And as you can imagine in year 1 we've been liberal in inviting people in and getting those activities up. So I think there's going to be a balance between

what can you get market rates for and community. And I think that's a good problem to have. And I think that's -- we're actually starting to see that. Believe it or not. So I think there's capacity and earned income for facility rents for block off the highest potential weekends of the year, if you will, and then continuing to work with our partners. What's not, you know, what's not obvious in these numbers is that we haven't -- we don't pay for all the cultural programming that's done inside here. We're leveraging everybody else. If you start adding that, there's a tremendous resource that's coming to the facility that doesn't show up on the P&L or the income statement. So I don't think I answered it very directly. Other than there's absolutely more capacity on the school, and we're balancing the capacity of community versus market-based.

>> Councilmember Oliverio: Okay, thank you. I would expect that question might be more easily answered over times? Once you see trends develop and things like that. I would be interested in seeing, attracting folks from the western cities to come for the arts to see if ability to have a more higher margin type of product.

>> I think that that's actually in termination of the market rentals quite a number of market rate rentals, for example in the theater, our nonprofits, it's nonprofit market rate, and we're pulling from everywhere, all over San José Sunnyvale, Cupertino, people are coming from everywhere to experience something there, be it you know the nutcracker, to classical Indian dance to Cambodian cultural dance companies, everything in a reception to a wedding. We feel we have quite a bit more potential. I mean if I had to answer right now I'd say at least another 25%. Because while we are quite busy, and we do have a small team, we could be busier.

>> You raised a point, though, no you raised a point. We track the school, where the children come from. But we don't track where all the anxious is coming from. So when -- all the audience is coming from. When we say 90% local, that's the school activity.

>> That's just the school, arts education, summer camp, after school. I come and take a visual arts class. But in terms of our -- the rest of the usage of the space, both community engagement and market we know because for example we know that San José youth ballet for example primarily is in Rose's districts. Their families are coming from there, they've told us that. Also we have a very close we are not just a venue, we're a community. So

everybody who comes in we develop a relationship with you so it's very much about reciprocity as well, to let people know in advance when you come in we're asking you to engage with us as a community and not just as a place where you come bring your show and then you leave. So we get to know people. We know people are coming from across the South Bay. We'll get you some members.

>> Councilmember Oliverio: I'm happy with the answers. Thank you.

>> We should have numbers for sure.

>> Councilmember Herrera: I think 25% sounds like a good guess to start. One point I wanted to make or maybe I should ask the question. I don't think we should have in our minds that this is ever going to be completely self-supporting. I think we've talked about this before that the city is probably going to have some continuing investment. I guess my question is is this typical of arts programs throughout the country, I guess you're going to say yes. Do you see themselves sufficient and not needing any subsidy from anywhere.

>> I think Kerrie wants to answer.

>> I'd be happy to answer. I would say generally speaking most cultural facilities across the United States are subsidised by the municipalities that they're in and that's true of all our other cultural facilities as well. We have a total of six that we have agreements with and of those six we have 00 subsidy that we provide to each one. Each one varies. This one is unique as they pointed out, it is exemplary in that we have a sinking model that we have developed a sinking fund model and they actually have really set the bar in terms of having an excellent rich with the city in taking care of that facility.

>> Councilmember Herrera: I think we're going to be able to reduce it but it sounds like we should not be surprised that we're going to have some kind of an ongoing subsidy with this program. But the benefits I think we need to look at what the benefit is to these kids and it's great to get everyone coming here from all over but I'm

most impressed for what it's doing for the community around it. Very, very impressive. Thank you very much. We have some folks that want to speak about this. I'll call your name if you want to come up. Patricia tapia.

>> Right here?

>> Councilmember Herrera: Come right up to the microphone. Is it working? There you go.

>> I speak Spanish. Yes? Hi. My name is Patricia tapia. [ Spanish ] a pole parent who is been related to the school for about three years and she's really, really pleased and happy that she lives in the vicinity of the school because from her perspective she feels that culture heals. For her it's very important that her children be engaged in the arts because it helps them to develop different parts and different aspects and attitudes of their brains and minds. And it keeps them away from negative activities that could really hurt them. Whether that's out on the street or even on television. But these children have leveraged how to dance how to sing how to paint and she has also participated in the classes at the school in Aztec dance. When children are able to engage in positive activity that raises their self-esteem they are also more at peace, more at peace within their own spirit, and not only is that also -- has an impact on family relationships, as well as in the social relationships within the community.

>> Councilmember Herrera: I'm sorry, we have two minutes each.

>> And thanks to the scholarships that the school provides, all her children can participate.

>> Councilmember Herrera: Thank you. Thank you. Esther Parel Diekman.

>> Good afternoon. I'm here in my capacity as the office of women's policy for the county of Santa Clara, we are part of the county executive's office. I'm here to give you some feedback and our experience with Mexican heritage plaza and the current operator. We actually have not used the facility, we hadn't used it before 2009. I've been with the county since 2005 but hadn't really seen that as a place to connect with or to partner with. Until

about 2009 when we started the women's and girls summit in 2010, we were looking at a girls leadership day and received a lot of valuable support about the importance of the arts in the life of the community not just the aesthetic importance but also the importance of art as a vital part of social change and community development. So I want to share just a few of the things we have partnered with the school of arts and culture on. We did a girls leadership day for the first time in that day for 125 girls, where the artist really helped us figure out how to help young women develop leadership and build skills to advocate for themselves. And we saw this as a really successful event but the input on the artist on how to really reach the young women was invaluable. We are looking forward to coming back in 2013 for another event with girls and partnering with American association of university women so you mentioned earlier wanting to reach broader audiences and I think activities of the plaza are definitely doing that. Another important thing that is happening at the site now is, actually providing a voice to groups that really don't have a voice in decision making that happens now. We recently had a vulnerable workers hearing where we really tapped into the works that are part of the folks that are there at the plaza. They were able to help us reach people that really are under the radar, whether they are undocumented immigrant workers or women, but people that are really dealing with some serious issues in the workplace. And we had a little over 60 people there providing testimony on that. And then, finally just really look at this idea of sustainable community development. The big shift that I think is happening now is leveraging the knowledge of the community and the culture, the networks there, to help us do what we're trying to do. We're trying to reach these communities and it is very difficult when you're government. So I think that has been a huge thing for us. We look forward to more activity. And bringing new audiences like the training we just had for attorneys on human trafficking. We had 200 people at the plaza to learn how to do that work better for victims of human trafficking. So we'd be available to give you any additional specifics on the work that you're doing, but commend the city on what we think is very sustainable long term community development.

>> Councilmember Herrera: Thank you. Carla Collins.

>> Hi, I'm here today as a parent whose daughter has attended summer camp since the very first session in 2011. I strongly support the school of arts and culture at Mexican heritage plaza as the permanent operator and for several reasons most of which we have already heard. But I really want to speak to the high quality, culturally

competent positive environment for our children. The mom like probably all moms I want the very best for my babies. During the summer I can go to work and trust that my oldest daughter who is now seven is getting a comprehensive appreciation of the arts and culture, all while having a blast. We participated in other camps, all with great promise. None that delivered like the school of arts and culture. I often don't know where I'm going to be in the evening or the next day. I do know where my kids are going to be the next summer, it's at the Mexican heritage plaza. I also want to speak to how inclusive it is. I am part of Comunidad River Glen, over 400 families across San José whose children are from K through 8 in a Spanish immersion program. We're also a title 9 school which means that half our families are living in poverty. The schools of arts and culture at MHP is an organization that I can wholeheartily recommend to all families at River Glen and in fact we've brought quite a few with us this past summer after our great experience in 2011. We expect even more in 2013. This is a very real need. And the school of arts and culture fulfills that need for all children. There are many great reasons to support the school of arts and culture at the Mexican heritage plaza as the permanent operator and when you need to make that decision I hope that you do it for the sake of our kids. Thank you.

>> Councilmember Herrera: Thank you. David wall.

>> With the passage of measure D the City's projected budget deficit stands at 23.1 million. This is a very heavily subsidized program that the decision makers are going to have to grapple with very soon in real term and real dollars. I would like to recommend that the auditor's work plan be amended to look at the CIP budget, the 10% sinking fund. It is not reasonable and foreseeable with all the uses of this building that the CIP sinking fund of 10% is going to be adequate to maintain the facility. Secondly I'd like to see some debt service reduction formulation with some of the profits of this organization to be applied. The General Fund allocation mentioned earlier for the subsidy is significant. Now, mentioned earlier by learned OED director, Casa Jalisco, instead of being across from original Joe's be a permanent participant at the Mexican heritage plaza? You can't get much more Mexican heritage than Mexican nationals I would think. And that should do it for now. But that CIP budget, I would look into that vest very seriously.

>> Councilmember Herrera: Okay. Thank you all the speakers. We need a motion to approve the report.

>> Motion to approve the report.

>> Councilmember Herrera: All those in favor, motion carries. And we're now moving on to a report on local and small business. O, wait, we're moving back to Work2Future. Back to the future. Item 4. Jeff ruster and Chris Donnelly are coming to talk to us.

>> Thank you, madam chair and city council members. Jeff ruster, I'm joined with Chris Donnelly. Work2Future. This is our annual update on the activities and accomplishments of Work2Future. In summary it's been another very positive year for the organization, in terms of performance and customer satisfaction. And indeed as we all noted the economy is getting better. There's been 26 consecutive weeks, sorry? 26 consecutive months of job growth. Last year when we reported our employment rate was 10.5%. Now it's 8.8%. But there is an undercurrent here in terms of what's happening in our economy. And a recent Work2Future labor market study that's about two or three months old did reveal that as much as 35% of our workforce are either unemployed, underemployed or have simply dropped out of the workforce. These are called discouraged workers, our youth unemployment rate still remains very high, over 25% and when we're seeing job growth it is tending to be very concentrated in the higher end for demand occupations such as network technician, software engineers, quality control experts. And with very little happening for kind of middle income families. As you'll not here there are still 42,000 unemployed people in San José. There are 50,700 total in the workforce area that we serve. The City of San José constitutes about 80% of the population, about 80% of the labor force. And roughly about 80% of the employment and the unemployed individuals in our area. We -- our unemployment rate of 8.8% is below that of California. Which is about 9.8% but it's still above the national which is 7.5%. As you know, Work2Future has one stop operations throughout the county. We have one-stop operation he here in the City of San José, at the Almaden winery, at the Kirk community center, at the Shirakawa community center, we have office he in Morgan Hill and Gilroy as well. We have 6,000 clients that we are currently serving. To give you an idea like everyone else our budgets have been hurt with the latest down turn in our economy but we still continue to meet all our performance. To give you a good indicator of kind of the workload that we have, a common ratio in terms of clients per case manager would be about 125 clients for each case manager. Right now

we're about 700 clients per case manager. So again we're trying to do more with less through partnerships. Through the hard work of the staffs. And through good use of technology. So let me hand it over to Chris to talk a little more about our services.

>> Good afternoon, councilmembers. So I'm going to give you an overview of our services. Adult services are, our clients are 18-year-olds and older, have the right to work, but also what we do with the adult clients is we really assist them with get them peer readiness preparation, making sure they have the skills ready to compete in the work force, and that's their work readiness, small building skills and job placement services and career training. Our youth services really focuses around youth between the ages of 17 and 21 who are out of school low income at least one barrier to employment. About 98% of our clients are youth clients, are basic skill deficient. Some of our clients are also pregnant, parenting, homeless and ex-offenders. What we do is with our year round program we provide occupational skills training, community service activities, internships, and then also most of our outcomes are leading to employment and postsecondary education for our youth programs. So as Jeff mentioned, some of our recent accomplishments, I just want to mention we've met for the eighth year our consecutive federal mandated. We have nine performance outcomes that we have each year that we have to meet. And we have met or exceeded those for the last eight years. We have served over 6200 clients with an average of about six services per client. And about 3300 going into training. That's either soft skills training resume development or critique, interviewing skills or going to the furthest one as regards to Microsoft suite, other training programs, and then others have project management classes that we provide with San José state university and San José Evergreen Community College. For the last month of reporting that ended on June 30th we had over 30,000 of our clients that entered the workforce and they earned over \$54 million in wages. And those were wages they earned within that last 12 months. And then we continue to meet our 85% customer satisfaction rate. We provide an online survey for our clients when they come and use our services, they have access to that survey and we receive positive outcomes from our clients and we report that to our board. Also, with business services we're one of the few workforce investment boards that are located within the Office of Economic Development. We are really focusing in again around businessownersspace and Shop San José initiatives for growth of economic development, but we're really focusing again with rapid response with a lot of the efforts that happened with NUMMI with the layoff and Cisco andons affected within our service area, that

we're providing services to. Specially recruitments, we did 101 special recruitments, AT&T, Safeway, Target and others, and then we had 12 job fairs where we provided this past year and the last one was at the county fairgrounds where we had over 50 employers and close to 900 job seekers there as well. And I'm going to turn it over to to talk about the business express printing portals.

>> Good. So we received a grant through Congressman Honda's office that is allowing us to pull together an automated web based permitting system. We are working with eight city departments to map out what is the small business permitting and licensing process and we hope basically by January of there year 2013 to have a beta in place where we can test out and really make it easier for the small business users to make their way through the city's process, make it more transparent, help them to understand have some prompts as they work through so they can understand some of the questions the information the costs that they're going to incur even before they start the process. If everything stays on track our goal would be to have this system fully completed and launched by June of 2013. We've decided first to kind of map out the restaurant sector, based on our assessment talking with staff and some of the clients, that tends to be the sector where there's the most work, the most problems occur and the thinking is if we can map out the restaurant sector and make it work then it's easier to kind of map out the other sectors as well. Looking ahead and in closing we are seeing a significant change in our client composition. The underemployed again is representing a large he and larger portion of our client base. These are individuals that are working so it's kind of making us rethink our 8 to 5 service delivery model and how do we use technology to kind of bring these clients into our system make it easier for them get the training and services that they're needing. One thing that's clearing coming out from this economic recession nationwide is that it really did hit older workers much harder. Older workers probably have a duration of unemployment that's almost twice that of other workers so again, kind of what are the skills, what's the expertise, what's the work that they're going to need to really understand what employers are needing and how they craft their resumes accordingly. So again it's going to require us to rethink our whole service delivery strategy. Part of the rethinking of our strategy also involves the launch of the Work2Future foundation, that's a 501(c)3 that we created, it has a tax-exempt status. We had originally contemplated that to be a funding conduit to capture funding besides the WEA resources. Now the more we think about it as our board really gets its arms around it, we're actually believing that this could be an entity through which we could deliver some of our services for board directed initiatives. Again

those may be look at the underemployed or older workers so it would also become part of our service delivery strategy. And last but not least there is the five year state workforce plan which is very intense. It's going to involve a lot of research. A lot of board engagement and stakeholder engagement in our community and but we're very well positioned we feel kind of with the budgets that we do have with the organization, the support we get from city council and our board and from a lot of the stakeholders in the community to kind of launch forward and we will be reporting back on the progress on our plan so that concludes our presentation.

>> Councilmember Herrera: Questions? I know I had one. In terms of the unemployment, the chart we had up there was that just San José or was that the MSA?

>> If you go back to it. So --

>> Councilmember Herrera: It says San José but I don't see Santa Clara, Sunnyvale --

>> Right, this is Work2Future service territory, so it's not the MSA. It is the city of San José. The City of San José is what it says right there City of San José so and then those are the other cities the unincorporated areas that Work2Future is responsible for.

>> Councilmember Herrera: Okay so we don't have any -- Santa Clara and Sunnyvale are not in our area.

>> No. The unincorporated areas of Santa Clara are but the City of Santa Clara is not.

>> Councilmember Herrera: Okay. In terms of the web based business, the web based portal that's going to happen for small businesses, I think it's great, it's wonderful I guess restaurants, because they're such complexity, in terms of their needs to get permits, needing to do a lot of work with permitting before they can actually open and needing that kind of expertise, I guess what I'm wondering is, is there any way that we can have a disclosure process so that they know about some of that, you know complicated things they're going to maybe need to go forward to -- to go forward with before they sign a lease on a building? Because I know that's one of the problems

that happen, they end up signing a lease and then they find out afterwards that there's all kinds of things they needed to do beforehand.

>> Yes, I mean that's the classic example. We do see that particularly through business other than space, people that are in that unfortunate admonition. A lot of the things we want to do is tell people the enforcing they are going to need but maybe have a calculator built in so they can get a range of cost that they will incur, so they're not four or five, six months into this process and realize that they may have a large expenditure in terms of fees or plan checks or whatever they need to pay for. We'll try through frequently asked questions or prompts, kind of an Amazon.com model, kind of as people work their way through, there will be prompts back to business owners, make sure they are thinking about future costs, information that they are going to need to kind of expedite their way through the process.

>> Councilmember Herrera: Maybe it's education with brokers and everything, and I don't know if I'm going off topic.

>> Kim Walesh: I think that's an intrigue idea, that we should explore, is there anything that the city could do to either require or encourage the property owner to direct the tenant to the city requirements in advance of selling the lease.

>> Councilmember Herrera: I was thinking of some kind of disclosure. But I don't know what education something I think it's something we ought to explore because if you end up with somebody getting a lease and they don't have those proper permits and then they find out that maybe it's more than they can do financially, then you've got a bad situation for the landlord, for the business and for the city. So I just think that maybe some front end stuff because it's great to have the web tool there but how do we make sure that they learn about all that and access it. Just a question maybe you can come back and let us know about that. In terms of the older workers it's interesting. We're talking about youth being -- having high unemployment rates and then older workers underemployed or unemployment. You talking about the underemployment?

>> Actually the unemployment rate for older workers is lower than that for the rest of the population, when they become unemployed, their duration of unemployment --

>> Councilmember Herrera: It's harder for them to get back once they're unemployed. Okay. And do we have any sense of categories of training that would be appropriate for them or we're just not interfacing with them as much because they're working and we're sort of not --

>> I think the one thing we clearly realize is that with older workers they're more likely to emphasize their experience, who they worked for right, the positions they've held and what employers really want to understand are the specific skill sets that they have. So a lot of what we may be doing -- there will be some training that will be involved in making sure they're prepared for the jobs that will be out there in the future but it's helping them to identify their transferable skills and really communicating what those skills are effectively to the employers in those demand industries. So it's more taking what they have and better translating it into what employers need.

>> Councilmember Herrera: I guess I'm also asking though how are we interfacing with them? Are they able -- what percentage of our clientele are older workers that come in that are able to --

>> A significant percentage. Historically to give you an idea for the Cisco and Solyndra rabid responses that we've done, over 90% of our clients are 45 years and older.

>> Councilmember Herrera: All right. Thank you for report. I need a -- need a motion to approve.

>> Second.

>> Councilmember Herrera: All those in favor, aye, motion pass. And I think we are done except for open forum.

>> Kim Walesh: Last but not least. From Public Works, this is an important annual report that we do about the performance on small and local business contracting.

>> Councilmember Herrera: And we have --

>> Kim Walesh: Joint product of public works and finance. Thank you, Barry.

>> You're welcome. Barry Ing, deputy director of public works. I'm not sure if I'm joined today by someone from finance purchasing.

>> Yes (inaudible)

>> Kim Walesh: Come on down.

>> Maria Contreras Norre.

>> Councilmember Herrera: Welcome, Maria, welcome, Barry. Didn't mean to cut you out of the agenda.

>> To save time, we have no prepared presentation we are here to answer questions about the report. If you would like I'll make an opening remark, at least about the capital program, we have two types of contracts that we bid, construction contracts and consultant agreements and in both case our local contractors and our local consultants are doing very well. About 50% of the contracts go their way And so if you look at what other cities are doing to increase their participation we're doing without any special attention to them they're doing just fine. So I would say that, as my introductory remark. I don't know if finance purchasing has any comments.

>> I don't have any additional comments, other than with the report --

>> Councilmember Herrera: Do we have special preference for local and small business?

>> For our professional service agreements we do so that would discover our capital consultants who do engineering studies for us, design work, architectural design. So they do have a local preference per the municipality of five percentage points of the overall process, procurement process that go for being local or for being small.

>> Kim Walesh: And that was set in place in 2003 as part of the process of creating the first economic strategy. Construction contracts are a little different because by city charter, those must be awarded to the lowest bidder.

>> That's correct.

>> Councilmember Herrera: So there's no local consideration.

>> Kim Walesh: That's not possible but for all the others there is.

>> Councilmember Herrera: Local employees, is there any provision for those contractors to hire locally? Is it legally possible to do that, to have something about local employees?

>> If some cities have done it but it's not clear that it's beneficial or that it's appropriate. Because you run into several constitutional provisions when you start discriminating on the base of residence, but I do know there are jurisdictions that do have those preferences but it's a question.

>> And what do those preferences look like, in some cases they look like a bid discount, so you take 5% off their bid if they're a local certified contractor and that may help them win the low bid, that's one alternative. Another one would be setting a participation goal for a particular contract and say, you know, 50% of the work has to go to a local contractor or something like that. That's what happens in say San Francisco or Oakland as an example.

>> Councilmember Herrera: Has that been explored here?

>> No, we have not but we are aware of what other cities are doing.

>> Right, we have looked at the issue, we've never actually produced a document referencing those. But we know of those ordinances, and those are the ordinance he that I believe are questionable at this point.

>> Councilmember Herrera: Okay. Questionable legally you're saying. Constitutionally?

>> Correct.

>> As a matter of fact, our definition of local intentionally council at the time made it not just the city of San José but Santa Clara County. Recognize that on nearly half of our residents of San José work elsewhere in the county. So if you wanted to benefit residents and small businesses it made sense to consider local small businesses, those anywhere within the county.

>> Councilmember Herrera: Okay. Any questions? Ash.

>> Councilmember Kalra: On the part about hiring make sure that you have residents hired you know San Francisco just recently I know other cities have done it, many cities have done it. San Francisco just recently have got at least an agreement in principle with the ware warriors, where 25% of the people that would build the arena would be San Francisco residents. I don't see -- it seems we pick and choose as a city what questionable legal challenges we decide to take on and we don't, this is one that clearly benefits our city economically, clearly brings job employment to our residents. We have almost a million of them. Many of them out of work. So you know, I think it's event did something that we should look to because there is a limitation as to what we can do in terms of local business hire. There is some preference in certain percentages but I know that it's very difficult, especially on these large projects to get local small businesses to win out. I mean sometimes they do and it's really great when they do but we have a limit to what we can do. But if we have the opportunity to ensure as part of -- in part,

in our RFPs or in our agreements, that we hire San José residents, that's the fastest way that we can possibly generate and stimulate our economy as we see our economy turn around in the next --

>> I didn't mean to interpret that we are the only ones who question whether or not San Francisco, the attorneys representing San Francisco also question it.

>> Councilmember Kalra: Sure.

>> But they did it anyway.

>> Councilmember Kalra: It would be interesting to know. It would be interesting -- I didn't suggest it was just you or our city, there are other cities that haven't done that, if it were so simple everyone would, right? It would be interesting to see what the arguments are and just because it's such a great economic boon I think for a city, when you consider -- especially obig projects. I think a project here and there is great but they're building an arena and to have the opportunity to have 25% of the folks and I guess the only -- I guess the, I mean the challenge would come from people that are making bids.

>> Correct, people from outside the jurisdiction. People from San Mateo, people from Oakland who actually want to work in San Francisco, want to get the job and want to work there.

>> Councilmember Kalra: Individuals.

>> Individuals and even companies who have a lot of their employees are workers from outside their jurisdiction that's limiting --

>> Councilmember Kalra: Do you know if there have been actions of that nature?

>> No we can look into it and give the council some information.

>> Councilmember Herrera: And if you're looking into it, it would be interesting to note since we don't have it how many employees end up being local without the requirement. You know the projects are already -- what percentage are local so is that working in terms of getting a certain number of local employees and I'd be very interested in getting the answer that Ash raised too. I'm always concerned about the unemployment rate that's why I continually ask it and ask it specifically to San José and I'm concerned about putting people back to work and using any tool that we legally can and as has been stating yes there are legal concerns but there's always legal concerns about everything we do so we still have to move forward with policy no matter what.

>> Madam Chair some councilmen, we actually only advise the council.

>> Councilmember Herrera: Pierluigi.

>> Councilmember Oliverio: This comes up probably at the council twice a year, every time we award a bid for construction, and the question comes out and I guess the biggest distinction between perhaps us and San Francisco is that you mentioned in the City of San José, on Public Works projects it's a charter amendment. Whatever, we couldn't fix that by council ordinance, that would have to be changed by the voters.

>> Correct. The charter requires you give it to the lowest responsive bidder. If you have a lower responsive bidder and someone else gets credit because they are local that's going against the charter.

>> Councilmember Oliverio: I think that's a big distinction. And then perhaps if it's a -- when it comes to a public works project, like an arena or something else, do cities have more power in saying that you know I'd like my stuff you know be more local like in the recent thing that Councilmember Kalra mentioned?

>> They made exception to the lowest responsive bidder if you are doing a design-bid project, that's the only exception the charter currently provides.

>> Correct. On contracts that are going to be \$5 million or more, we have the option of doing it the design-build way, which would be not the low bid, you can do a low bid design-build and we have done them but for a \$5 million or more project we typically take a look at see does it make sense to get the design are and builder on together and then we have it's just a negotiation with the highest qualified joint venture that puts together the design and the construction package. So we have I think more liberties when we are in at the end of the day of a situation.

>> Councilmember Oliverio: And I imagine if a developer wanted to get an entitlement through local government that they may offer this as an incentive to local government to offer their entitlement to say hey in the case I'm going to build a sports arena I'm going to hire X percentage of local companies employees et cetera.

>> Yes.

>> Councilmember Oliverio: Okay, thank you.

>> Councilmember Herrera: They could do that without violating our charter if they proposed that.

>> At this point we don't have a preference for local residents. If they provided it then we would have to look to see whether or not it was a voluntary or whether the city was requiring it because the city can't require it.

>> Councilmember Herrera: So it was voluntary as part of their offer?

>> Right, and that's a lot of the things that I think Barry just mentioned, is that participation we will try recruit but there can't be a requirement unless the city has an ordinance requiring it. Otherwise simply they will make best efforts to try to make a residence but if they don't then they can still get a project.

>> Councilmember Herrera: Okay.

>> Just to further clarify right now the local and small policy is defined as having an office in Santa Clara County with at least one employee. So there's no stipulation about you know having the employees work in the City of San José. So that would require a policy change. And --

>> Councilmember Herrera: Any policy I would want us to look at a policy that would put more people to work, however we do that. That's my only interest in it.

>> Councilmember Oliverio: That's what I'm bringing up, then you get into the whole issue of tracking, so you could have a company in Fremont, just across the county border in Alameda County get the contract that actually employs 60% San José residents versus another city in the county gets a contract that actually employs a lower percentage of San José residents because people move around where they work, you know.

>> That's a question, that's a difference in hiring a small business some a small local business, where the business has to be located, and that's where you get the definition of you have to have an office and at least one employee as opposed to the requirement that you have to hire local residents. So you could have a business whether it's inside or outside of San José but all of the employees have to be residents of San José.

>> Councilmember Oliverio: I agree with that because that question has been brought up at council level, tracking the actual employees that work for the subcontractors and what city they work in and I would imagine that takes a fair amount of oversight that might be cumbersome but again if the council wants to go in that direction someone could just write a memo and bring something forward and I think we could have a good discussion, whether it's often the ordinance prioritization or as a separate topic.

>> Councilmember Herrera: I think we'll get some information back and we'll see if it's worth moving forward as least.

>> I thank you for raising the issue. It might be cumbersome to track I have a feeling it would be, our labor compliance division in public works tracks all the service contracts in the city, including construction contracts and

it's a hard enough just keeping track of whether they've been paid properly let alone where they live. So there would be a substantial staff effort to track that if the council was interested in following that.

>> Councilmember Herrera: Okay. Well we beat this one to death I think. Let's see. Before we vote on it David Wall wanted to speak on it.

>> There's just one little piece of information that I found. Let's say a company wants a Public Works contract with the City of San José and true they have a shell they just rent an office somewhere and their only employee is the person that's going for a contract. Now we saw this at the water pollution control plant with BLP engineering and obviously there was a lot of problems with that some and that contract hasn't been let to my knowledge. But to that loophole, in my opinion has to be looked at because you just can't come in the City of San José if you're a business trying to say okay I'm a local business I get this exemption because I rented this office space or a motel room and called it an office and then have a cell phone and then get this local business preference so that's my input on that, thank you.

>> Councilmember Herrera: Okay, thank you. Okay we need a motion to accept the report.

>> So moved.

>> Councilmember Oliverio: Second.

>> Councilmember Herrera: All in favor, opposed, motion carries. I think we're at open forum. David Wall.

>> First I'd like to congratulate you, Councilmember Herrera, in winning reelection, in a very nasty type of campaign that was ruled against you. Congratulations once again for prevailing and running a good campaign. The commentary that I have about this rezoning business, with reference to urban villages, this stems from an old Supreme Court case to where they rule if developers get together, and I'm paraphrasing this, developers request, economic plan to a city council, they can have the council give them the powers of eminent

domain over private property. Now, with urban villages, therein lies the mechanism with the rezoning with aggregate properties to where these aggregate property owners can then apply pressure to other property owners who don't want to go along with the urban village concept and therefore produce their case, reference this Supreme Court case and then have that property eminent domain. Now, in theory, just in theory, this is a way to eradicate single family homes or any other type of property that the city doesn't deem worthwhile to their overall long term plans. So that's my main concern about this rezoning business with this aggregate properties and my distaste for urban villages. Although there is one urban village I'd like you to relocate and that's along the banks of the Guadalupe river in between Coleman and Hedding. This is a permanent urban village down this and I'd like to see it relocated, to, let's be fair, Santa Clara.

>> Councilmember Herrera: Thank you. Meeting's adjourned.