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>> Councilmember Herrera: We're going to call the meeting to order. My apologies for getting started a bit late here. May we have a roll call please, secretary. [Roll call.]

>> We have a quorum with councilmember Liccardo absent and excused today.

>> Councilmember Herrera: First is the work plan, do we have any comments from the public on the work plan? We have no changes on the work plan. We need a motion to approve it. We don't have anything on the consent. We have some changes on the schedule, folks waiting for us. Going with Kim, can we do the verbal report?

>> Kim Walesh: Councilmember, we'll do the verbal report first, which includes an update from Planning, Building, and Code Enforcement about their customer experience initiatives. And just to accommodate some outside guests and schedules we'd like to do the reports in the following order after that. So first will be the verbal update on downtown. Next will be the three-year housing investment plan. And then cultural facilities asset management and the business plan for the clean tech demonstration center and then legislative items.

>> Councilmember Herrera: Okay. So that's the order, so first up we'll hear the verbal report from Kim.

>> Kim Walesh: Kim Walesh, director of economic development and chief strategist, and if the presentation could be called up. This is just a look at some of the key activities from last month. And I think you know that we always start with a fun fact. And just want to point out, I think there's been a lot of interesting comparisons between San Francisco and San José, in the last couple months. With San Francisco getting attention for startups especially in the social media and software space. And I just wanted to share some fun facts about San José, clearly still leading the Bay Area in technology. The Silicon Valley 150 largest publicly traded companies, 38 of those companies are literally in the City of San José versus eight in San Francisco. If you look at the chronicle 200 companies, 34 of those are in San José compared to 19 in San Francisco and of course we were recently ranked number 5 on the Forbes best cities for job growth compared with number 17 in San Francisco. And I say this just to point out I think that the Bay Area needs a strong San José and a strong San Francisco. But in San

José what our team is seeing is growth companies that are really scaling across a very wide range of technology sectors. So certainly, in the social and software space, but also, in areas like networking, communication, semiconductors, storage medical devices, clean tech, energy efficiency, a whole broad range of areas, and areas that are not just demanding office space but are demanding R&D and industrial space. So as you know there are sort of five areas that our citywide economic development team is involved with. On the retention front, we continue to meet with a large number of companies, again in a very diverse range of areas. And just a reminder. There's a lot of companies moving within the region now. We know that 55% of the job generation just comes from companies expanding in the region. So we see a lot of companies looking for the right building in the region. And we also continue to meet with companies moving in from outside the region including some interesting pickup in activity from Chinese companies that are looking to be in the Bay Area and finding San José an interesting location. We have 29 projects in process. Through the combined expedited permitting programs. Including some very big players, the names you see up on the screen here. Just to point out a few interesting things. Fusion IO consolidating into North San José, rapidly growing company, moving forward with significant tenant improvements. Whole foods on the Alameda has taken the next step and moved forward with finalizing their construction documents still talking about opening in 2014. And then of course the Hitachi retail planned development over 300,000 square feet is now moving forward with final approval for permitting. This is a very significant part of the urban village project there and will lead to between three quarters and a million dollars in annual sales tax for the city. Good news in that our employment rate fell again. Our unemployment rate fell again last month. Work2Future is now working with potentially impacted city employees in the months of May and June. And helping employees generally with career transitions. Work2Future as you know last week held a really incredible event with 170 entrepreneurs in attendance. It was in conjunction with the clean tech open leadership, and it also launched the global business foundation where we had these international incubators and accelerators who are all operating in the Bay Area who want to be connected to each other, and we have played a role in convening them. We're going to hear in a moment about the choose downtown campaign. Under the business report. And we continue to work in strong partnerships downtown. And then last on the arts and cultural front you're going to see a number of physical changes taking place to downtown, including the San Carlos corridor lighting project which is D.O.T. in conjunction with cultural affairs. And the theme of continuing to provide training for artists to help them be better business people nationally. The creative entrepreneur economy is becoming a

very significant part of urban downtown economies as it is here. So that concludes the verbal report. We'll send out a written report following this meeting and then for the second half I'd like to reintroduce Lee Butler and you have several handouts to give us monthly updates now about the superior customer service initiative.

>> Councilmember Herrera: Before do you that I wanted to comment on the annual seminar on entrepreneurship and innovation. That I was able to speak to the group and one of the things we were able to share is the unemployment rate had dropped in San José and MSA group that San José is part of but San José leads the nation, 27,000 jobs created April or April, which is an incredible number, just wanted to say that, manufacturing and I.T. those are the ones that we are really seeing the increase in .

>> Thank you I'm Lee Butler with City of San José development services and I'd like to start by thanking the committee for their interest in the development services partner's ability to deliver excellent customer service on a consistent basis. The goal of this effort is to really establish San José as the premier provider of development services in the region. And for our city to serve as a national model for efficient, effective and excellent customer service. So back in March, at the CED committee there was an initial discussion about this customer service initiative. And since that time the division managers in planning, building, Public Works and fire prevention have been working to develop the draft document that you have before you. It's the matrix four sheets there. And we've gone out to the staff with this draft document. We've gone out to the development community with this draft document and we're here to get some input from you today on where this is going and making sure that we're on the right track. So the product that you have before you really highlights two things. And we have recognized right at the beginning that in order for the city to deliver effective customer service and efficient and excellent customer service it's really a partnership. So we need to work hand in hand with the development community in order to successfully deliver projects. And the matrix is broken out into two separate sections. The first is what customers can expect from the city, and then the second is what the city should expect from customers. And the document that you have before you gets into a fair amount of detail, especially as you move to the right. It really dives into how that excellent customer service will be delivered. And just on a high level, the customers should expect that the city provides excellent customer service, information resources, an a solution-oriented approach. Coming from the customers, the city should expect that those customers are informed, that they're responsible and that they're

partnership-oriented. So the next step for this process is really going to be consolidating what we have into this four page sheet sort of high level summary of the essence of what we have in this document. And I think we really needed to develop this document in its entirety, before we could get to that synopsis of what -- sort of a one-page sheet of what we can deliver and what we expect. So we'll be developing that consolidated document, and we will also, at the same time, be developing an implementation plan. So a lot of the things on that far-right column are already underway. So we're updating our performance measures and we're seeking interpersonal skills in the various hiring processes that we have going on right now. Other items are very long-term. The upgrade to our Amanda permit tracking system, that's sort of a longer term goal. So we'll be setting forth the priorities and the time lines for each of those and bringing that back to the Community and Economic Development committee in June before ultimately bringing it to council in August. So at this point we welcome any feedback. I know that you just got this draft document in front of you right now, and it's a lot to digest, we welcome any feedback at this point or also between now and CED in June we're happy to take feedback as well. Thank you.

>> Councilmember Kalra: Thank you. Lee at first glance it looks great but I'll take a little more time and take a close look before the next meeting. I think you got a wonderful job. I once again got positive feedback with yet outvied working with the city. You an your city, the work that you're doing is working and I look forward to work on this plan and making sure we provide a structure that everyone can work with comfortably. Thanks.

>> Thank you.

>> Councilmember Herrera: Yeah, the work's much appreciated Lee, and I think you know as one of the two people, there was a few of us here that were concerned, and put a memo together. I think this is the direction we want to see it going. What I will -- would like to see too and I haven't had time to analyze this, having just gotten it today, but I'm interested in quantitative measures. When we look at the kind of permit you would come to San José for and compare it to how many days it would take at another city, if we can start looking at apples to apples comparison, knowing that yes there's going to be differences but that's frequently what I hear from other people, if I go to X city and do this, it takes this long. When I come here it takes this long. I would like to eventually understand that feedback that we hear from people and compare them, you get sense of where we stand with

regard to other areas we are near and be competitive where we need to be . And are we concluded then with the verbal -- okay. For this, okay. David Wall would like to speak on this item.

>> I would like to give my thanks to Mr. Butler and to the director of PBCE for doing this fine work but a certain level of chastisement from council due to the fact that they need funding to carry this out. One aspect of funding that could be addressed citywide to hire a lot of people especially in the trades is under fire prevention. With reference to electrical panels, on residences and old apartments. In other words this has to be standardized for this time period and technology. These electrical panels are a great source of fire, for residences. No matter what they are, apartments, town homes, whatever. And funding streams need to be created. And in creating just on the electrical panel business, PBCE will have a lot of money to come in and do their work and fire prevention will be well-funded. Fire prevention will be increased. And generally, it will increase the Green Vision of this city due to standardization of the electrical grid. Thank you.

>> Councilmember Herrera: Okay. Moving on to downtown update.

>> Kim Walesh: Thanks Madam Chair. This is an opportune to provide the committee with an integrated look at all of the priorities underway in downtown, especially as we think about the next six to 12 months. I think you know we have very, very limited staff availability for downtown, but we have taken extraordinary steps to develop a number of partnerships. So Lee Wilcox is going to be presenting the report, along with Josh from equity office properties who's representing our partner group. And we also have Scott Knies from the downtown association in the audience, obviously another very important partner.

>> Thanks Kim. Lee Wilcox downtown manager for the city and Joshua Hitchcock the regional director for leasing for equity office is joining me today. This is part of a biennial report we give to you in September of last year we spoke a lot about the dwindling resources of the Redevelopment Agency and possible new past partnerships that we'd like to explore and come back to you. So I think what you'll be hearing today is how the Office of Economic Development and the city along with our partners are approaching downtown. And I hope you get the sense through the presentation that the partnerships that we're kind of introducing and talking about are really important

and kind of the core of what we're trying to do. And I need to grab the clicker. There we go. So again, as part of the framework for downtown, that was adopted by the downtown association, the city and 1stAct Silicon Valley, consisting of big deals and small wonders, the way we approach anything downtown we like to think of it as arts and entertainment, shopping and dining ball forward and one, it moves forward in another. But we do want to draw specific attention to really the second and third bullet and what our emphasis is going to be in this report and what it's going to be for the next 18 months downtown. That really is positioning downtown as a unique work urban environment for our startups our scaling businesses and our major corporations and also engaging with business owners, property owners and brokers to build these relationships to improve the base through in-personal visits and getting the word out about downtown and what we have to offer. There we go. Okay. It's a little bit how we've tried to organize ourselves as we've moved forward with no Redevelopment Agency in place. And really putting together an action framework. So we have a downtown strategy and it really consists of things that the city does within our operations and management design and place making and then the new thing with the city downtown which is really business development. And we threw up the various departments that are all involved in downtown as part of this slide. But you can see underneath that as well there's external partners that we're relying on to move the ball forward in downtown and that's exceptionally important with dwindling resources or minimal resources that Kim pointed out that's going to take a coordinated approach of all of us to develop our goal. Within operations and management just to give you a sense of the things that we throw into this bucket are Team San José oversight, cultural facilities is up as the rep, tech that live outside the Team San José contact. There's our contract with San José sharks who manage and operate the convention center I'm sorry the HP arena, the arena authority, our pending agreement with the downtown association which you'll be voting on as part of the budget for final adoption. All the things that D.O.T. goes into managing our parking system, within the special events and outside of special events it creates quite a bit of work. Our night life management and our policy review as we bring things forward to continue that improvement with our entertainment permit live music strategy and also a business liaison with our community, downtown mayor's office and other partners where we're addressing any other business issues in the downtown. And then our P bid implementation and renewal. This is something you'll see June 19th and Jim Ortbal for the city sits on that board. That's becoming an increasingly important partner and funding source for downtown. So under operations and management just want to highlight a few quick things over the next six months that you should see traction on is the bike share program in

downtown. There's a map there with various locations in downtown and that will be launched in September of this year. Part of that will be Department of Transportation, the downtown association and OED, working with our large property owners such as equity office, to highlight this program to our existing businesses and get them out and about on the bikes in downtown. And as part of that, on a separate but equal track, are the protected bike lanes in downtown that the council's already taken action on that we'll be seeing implemented over the course of the summer and fall. The city also related to the car share program we actually currently do have an RFP out on the street for a car share program. Even separate from that RFP zip car has seen the potential in downtown it has moved forward with 12 different cars in the downtown working with the university and the city to locate those in and around the downtown. So already some movement in the car share program that we're quite excited about. And then did I mention the P bid renewal, you will be seeing this on June 19th in front of you voting at a council meeting. City views this as a very important partnership an ally in the downtown. We've seen some of what they've been doing thus far with the beautification. The P bid will be moving into a model of picking up possible security elements with police officers in the downtown. And possible business retention efforts to help the Office of Economic Development. Moving on to design and place-making. Really, some exciting developments that we'll see in the next six months but just kind of a flavor of what that will be is the public art in the plaza at the convention center. Some of the temporary art for ZeroOne. The illuminating downtown project, possible pavement to plaza at gore park and other options as the city sees fit and the Diridon station plan. Not just art but Diridon station is something where we hope to create a sense of place as we've done with other places in the downtown. So we'll be working with our partners such as CalTrain and VTA as the ball moves forward on Diridon. Some of these short term things that Kim mentioned the San Los street streetscape project joint project between the Department of Transportation and OCA will include interactive lighting on it which will be very neat and Barbara is here to answer any questions you may have. Trying to work with our property owners and partners at the urban market to better activate that. Seems to be doing very well. If you've had an opportunity to be there on a Thursday, Friday or Saturday night. And then lastly business development. Which is what we really want to spend quite a bit of time on. We've made a conscious evident over the last eight to nine months to really focus on the relationships, having a really smooth handoff between the Redevelopment Agency and the city, so we're working with our property oners, freelancers, to engage in this, to angle in this business and I think the district 3 office the mayor's office, downtown association, and our property owners and have had a really collaborative

effort to kind of drive this program and you know the retention business can be tricky at times but with these partnerships we've been able to come to the table and solve some of the problems help move the needle on some of the downtown vacancy rate. I think ad hoc over the last few months we will be formalizing a downtown business development program with the downtown association and P bid. Over the last two or three months, as we've been working through an existing retention program kind of fine-tuning it, finding out what works and what doesn't, as a contract with the downtown association we will be building this into so collective communications in the downtown what that consists of and Josh is going to speak with that. Working closely with our owners and brokers so we have that relationship and they feel comfortable picking up the phone and calling either party when a business is thinking of leaving or locating. We see a lot of synergies citizen space that we want to get some of our creative entrepreneurs in that space and then work there. And along the lines of the permitting assistance in downtown is host to a lot of small businesses and that's where permitting becomes a little bit tricky. So as part of the budget you're voting on will include recommendation for a small business advocate back serving under Lee Butler and also a position within the P bid that the P bid will be funding to work in that sort of prelease early stage, so they're aware of what works and what doesn't in a specific location and really help with retail, we see a lot of kind of cross collaboration between the business development and P window for that model. And working on continuing the retention and expansion program that we've had over the last few months. With all of that we are official, we have official launched the choose downtown campaign. With -- which is a joint development between the Office of Economic Development, Mayor's Office, and two of our large property owners, equity office and Boston properties. This consists of an online presence and some online advertising with the Silicon Valley San José business journal and track it through Google analytics to make sure we can track our success rate, what works and what doesn't and consists of a few things that Josh is going to hit on.

>> Thank you Lee. First off I'd like to thank Lee and his yep for initiating this relationship. And efforts from Kim and Nancy and Ru to start this relationship. I think it's going to be key in the success of our leasing efforts downtown. As a building owner, we own 10 Almaden and 225 West Santa Clara. The success of downtown is our success so we're very much invested in this. You know, over the years, I think downtown has had a negative stigma around it. With high-tech companies and companies moving down and committing to a market this far South historically, the epicenter has been Palo Alto and things have migrated out from there South. And we're

kind of the last stop on that bus. So I think these efforts are being made to try to push that activity down here and throw out welcoming arms to the prospective tenants in the marketplace, really pushing all the stuff that San José has to offer, question we do, concentration to amenities, access to transportation, public transportation, to freeways and then you know value, and an incredible talent pool. We have a lot to sell here and the word just needs to get out. And I think that's one of the things that's been lacking. And I think this joint partnership and effort will help that.

>> Actually one of the things that we'll be doing moving forward as part of this campaign, we spent a lot of time on our property owners and brokers on what the message needed to be. That was really the amenities we have the great value and the access. Concentrating on these three things. We will be developing actual leave-behind materials, marketing materials and then also kind of a road show of sorts with both brokers, private property, the city and downtown association getting in in front of some of the brokerage houses to talk about downtown. There's within kind of each broker firm there's a few people that concentrate on downtown. Other things it's very difficult to work in so it's our job to change that perception and get them excited about it. So we have more opportunities. As part of the Website, we learned early on that really, the peer to peer testimonials was going to be very important. A CEO needed to hear from another CEO why downtown was a great value. We had partnered with createv to show some videos for us. We want to show one right now. Apologize for the quality, we didn't expect it to be on a huge screen, it is hosted on a Website. I think you'll get an item of the message and what we're trying convey.

>> Take a walk is the first thing. I mean really do. We looked at space up and down the peninsula we looked at downtown San José as well. And I have to go back to the value. The value of locating in Downtown San José is just completely superior to really any other place in the valley, as well as the access. So it's a terrific opportunity to locate a company in the area, and you know as I said there's really no other place in Silicon Valley where you can get these kind of amenities of class A office space and there's a lot of it by the way. So you can expand, you don't have to worry about being trapped and having to move to another building. It's very, very easy to do business in Downtown San José.

>> I would advise them to strongly consider it. Before -- actually I went through the same process over three years ago. We were in other areas. In fact we came from Cupertino. And it was a great, great area but when I considered downtown, the first impression I had was, well, it's probably bad commute. And parking would be a problem for employees. It turned out those are not true.

>> My devices take the leap. There are other parts of this region that have a lot of brand name and a lot of brand equity. The Palo Altos the Mountain Views of the world. I tell you you will get way more for your money by being located in Downtown San José.

>> The best advice can I give to other CEOs who are looking to locate in Downtown San José is to look at the intangibles. You can look at the rents comparable to some of the these other locations, it is a fantastic financial decision to come down here. But there's so much more than that. There are financial things that the city will do helping with parking and signage and things we've been able to take advantage of. But there is so much more to the cultural side of something. What we find and what we hear when we do surveys of our employees all the time. People just don't go to work for a paycheck. They go to work for the culture and the environment. And when you are working in an environment like San José where you can walk outside your door and be involved in all these things, whether it's a sharks game or different activities going on all the time, not to mention all the restaurants, it's a neat place that some CEOs don't think of when they think of relocating their companies. It should be. It is easy access, lower rents, lots of support from the community and it's fun and lots of things going on.

>> I would coach them there are lots of advantages, proximity to places to eat, cultural things to do, the ease of which you can get on the city because it is kind of a reverse commute, the access to public transportation. I give them coaching. I don't know if there was advice would good welcome I guess what I would do is I'd probably introduce them to the people who they would need to know that other than would make their life easier.

>> My advice is to jump in and come in to downtown.

>> I would encourage them to reach out to people like myself or to the San José downtown association or the San José chamber of commerce. Those people know the ins and outs much working in San José.

>> Just kind of a quick flavor what some of the video testimonials are trying to accomplish. This is exciting campaign that we're really hoping has a lot of promise in the downtown. We see a lot of potential in it and will be reporting back to you in the fall on the progress of that. And the vacancy rate in downtown. With that we are available for any questions you may have.

>> Councilmember Herrera: Councilmembers? Any comments? I love the video. It was great! I think there's nothing better than hearing it firsthand from a CEO. So I'm very, very impressed with that. I hope that -- this is out now, this is already out in the field?

>> Yes, it went live a few weeks ago and there's I believe 12 different videos on the Website.

>> Councilmember Herrera: I'd be very interested in getting the feedback when it moves out there. I was just curious about how we're going to be introducing, it's great having you Josh here talking about the brokerage side of things and your investment into the downtown. How are we going to introduce potential CEOs into downtown? Are we going to have tours or events where they can discover downtown?

>> We have continually made efforts to reach out to not only tenants that are currently in San José but outside, ideally outside of San José to bring them in. We have relationships with the CEOs with with individual companies and then also with the brokerage community, that's really our in, the brokerage company, those who represent the tenants outreach to that community. So those efforts have been going on. You know from day 1.

>> Councilmember Herrera: I guess I was picturing some of the brokerage community being able to bring potential clients in to maybe one of the great events we have in San José and getting -- having the opportunity to actually experience it.

>> Kim Walesh: We've talked about that coming up on the summer event season. A lot of our downtown companies already take advantage of the events like the jazz festival to bring in clients and get their employees out. We could talk about the same thing with building and property owners. It's the time of year where downtown just really shines.

>> Councilmember Herrera: I had one other question too about some of the security aspects you were talking about. I chair the P P and O committee at VTA and we were sussing Councilmember Liccardo was bringing up some of the issues in downtown and talking about -- working with VTA in the share especially around the transit areas. Have you all talked about, have you talked about that aspect of security in downtown and the idea of working with the sheriff's department and VTA in terms of almighty what we do ?

>> Yes, we actually have pulled in San José State police as part of the discussion and needs assessment to see where there's overlap and areas for opportunity, the downtown service unit which is part of our unit coordinating more effectively with VTA and the sheriff's office on those and we're seeing some success at least early on in the spring for those.

>> Councilmember Herrera: Yeah because one of the areas that Sam brought up was first in Santa Clara and some of the other areas where folks are waiting for buses that there seems to be more feedback that there needs to probably be a little bit more oversight and assistance in the security area. So he's not here so I'm going to bring it up. He might have brought it up if he was here but I think it's important.

>> That's important. There are a few hot spots that we work very strategically with our partners and we are definitely well aware of that.

>> Councilmember Herrera: Is there any reap why more of an increase especially first and Santa Clara any other areas with transit, any thoughts on that?

>> There are a few more things, I know with the Chief of Police if he was here, with the downturn in economy you do see more activity I think the light rail and kind of continued public transit has been something we've grappled with and we see it as a huge plus and we're working on that. I think the other thing what the chief has said is that police cutbacks are tough but where you really do see somewhat of a negative impact particularly are in dense urban areas because of less visibility. I think we've seen that downtown and as the police department works add back services where appropriate I think downtown will be on that list and with the downtown association and what they're doing with the P bid adding a security component which is really aimed at visibility, the cleanliness and trying to add somewhat of a presence to deter the crime I think we can see big successes over the next six to nine months in that respect.

>> Councilmember Herrera: I just want to encourage the cooperation of VTA tabbed sheriff. They seem to be willing to work with us. We were talking with them to make sure that the bus drivers for example would be able to have the ability to call in support when they need to, if they see issues at a bus station. So I think working with with them we can sort of leverage in on our limited resources as well. This is a verbal report so we don't need to vote open it but we do have -- David Wall wanted to speak on this item, it was D-2 not D-4, it was D-4 now D-2 so we'll have you speak.

>> There are a couple of ideas for you for this plan to incorporate. One is I don't know why the airport was omitted as one of the groups to participate in this event. Plus the sister cities, they are not invited it seems into this event. And I think you should really focus in on that, especially with Dublin, Ireland, Air Ling us could come in , that handy happened, neither has major barbecue events like Memphis in May. With reference to P bid it is on the verge of collapse. If you don't start supporting your police officers. I think that you should be also enjoining the San José Police Officers Association in this model. Because if you are not going to support police officers with workers comp or insurance or complete legal protection, they're not going to be taking pay jobs for \$46 or \$50 an hour to end up losing everything they have dealing with the problems of the downtown. Furthermore, you must address the issue of St. James park. Councilmember Liccardo has not done any work in that area that's been successful. I also believe that you need to form, county wide, some way of detaining mass numbers of low-grade criminals to deter criminal conduct, and also to remove this element from the downtown. There's a lot of work to

be done, and let me remind you in closing, the city fired award-winning multimedia video producers. And you were warned not to do that. Thank you.

>> Councilmember Herrera: Okay. We're going to move on to the three year housing investment plan update. Leslye Corsiglia.

>> Leslye Corsiglia: Good afternoon. Leslye Corsiglia director of housing and I'm here to give you an update with where we are with the three year housing investment plan. We came before the committee back last fall to introduce this project. And then did come forward and indicate that we were slowing down the work on this effort due to the redevelopment issues that we've been focusing so much of our time on. And nevertheless, we have still, since that time, been undergoing quite a bit of the preparation work for this three-year plan. And so we did, I'll go to the first slide here. We have had quite a number of meetings. And I will explain those. Just as a reminder of what the housing investment plan is, this is a city initiated plan. It's not required by any outside agency. We have quite a number of plans that we prepared that are required by outside agencies. Our general plan is a state required document. We just recently approved our general plan 2040, part of that is our housing element which is also required by state law. We have a consolidated plan that is required by the federal government that outlines both how we use our housing and community development funds and we also have a federally required impediments to federal housing. All of these are plans that have a lot of different things that we look at, but they're not comprehensively all pulled together into a strategy of how we address our housing needs. So that's what this plan is. We've had one since the beginning of the housing department. We've typically prepared a five year plan. And this time we're suggesting a three year plan to put that in alignment with those other documents. What it will do is give an analysis of needs. So unlike the consolidated plan we'll be going more into the spectrum of needs across the affordability spectrum. So we'll be talking about the needs of our lowest income residents. But also the needs of our employees in our -- and those who are able to access market rate housing. We'll also talk about how we'll invest the funds that we have and new ideas for how we will make those funds more plentiful. And we will set forward an action plan of things that we are going to accomplish during that three-year period. It's important to note it's not just a plan. This is really an implementation document. We'll be looking very specifically on what we plan at the end of three years to have completed. So we'll use this as really a Bible for what we will

accomplish during those -- that time period. This chart here shows the time line of steps that we have taken. So we, as I mentioned, we did come before the committee one time before. Since that time, we have been to our housing commission on a regular basis. We've also held four focus group meetings and four task force meetings. So those meetings are ones where we have received specific information from subject area experts in helping us in thinking about and thinking through some of the strategies that we'll be using. More than 60 people have been involved in that discussion. Now, the key policy issues that we're looking at is, what are -- looking at our existing policies. Especially things like dispersion, which has changed now. Cities had a dispersion policy since 1988, and that policy says it will disperse affordable housing throughout the city and there would not that's right we don't concentrate affordable housing in one part of the city. Now with our G. P. 2040, chain or recommend shaping that dispersion policy to align with the general plan 2040. Still wanting to make sure that we don't have concentration of affordability but that we are in alignment with that plan. We'll also be looking with our policy which is one that says where our funds go, how much of the fund goes to ELI, extremely low income housing versus moderate housing and that is really pushed by our resources because it is much more costly to reach down deep so there will be some policy decisions that need to be made. We will be looking at our resource challenges. As I said, the big investment is the housing investment plan connecting with our existing plans including envision 2040 which we think is really important so we're working with the Planning Department on trying to help lay out in the next three years what we need to accomplish in the housing part of that plan. We'll look at facilitating affordable and market-rate development and more ways we can try to work with the development community. And we'll also look at financial stools and things like addressing foreclosures which we believe will still be with us during this three--year-old period. This shows the four groups that we have met with separately, and in the past we always met with the affordable housing community. This time we've really broadened this. So we met with the market rate housing community and they've been very involved as well in our task force. We met with the social equity group, so those are folks from our fair housing from our homeless community and from our poverty community, in trying to make sure that we cover those special needs in this plan. And then we also met with our local government partners not just in Santa Clara County but we're also connecting with San Mateo county as well, in how we can connect three years is trying to see, we plan regionally, and we plan regional, and we implement regionally very well, for a lot of things like housing and transportation, something I any we need to work more on . So just next steps in conclusion, we will continue to meet with our

housing commission throughout this process. We'll be having a conclusion meeting with our task force toward the end of the summer after we've had some time to take what they've told us already and put it into a form that they can react to. We will then -- this says we'll have a draft report late spring. That will not happen. I apologize for that. The draft report will not be available until sometime this summer. Because we have quite a bit of work to do, to begin writing. We haven't even started writing and it is mid-May. We will be planning for a council study session, I believe in September, which would then be followed by council consideration of the final plan shortly after that time. So that's where we are. We're mid range. We think we'll be looking at some tough new policies based on our resources that we'll have. And so the council will be having the council help decide what direction we go over this next three years.

>> Councilmember Herrera: David Wall wanted to speak on this item.

>> I always like to give thanks for the zeal of our housing director and what she does with reference to the lack of zeal of some of our other directors. I think it's misnamed, I think it's a misrepresentation. I think it should be more along the line of, "share the slums." Okay. I think that the City of San José has been catering to elements that can't afford to live here for so long that they've lost track of the people that pay the bills around here and don't want to see their neighborhoods and their property values go down because of a goes philanthropic philosophy with taxpayer dollars. I also think that the housing department should be focused strictly upon what is required since there's a reduction in city staff to code enforcement, for example, to maintain what goes on in these places. Also, we see a trend in giving big businesses, and special interests, breaks and as far as car parks for these places, so there's more street parking, more blight, more trash, a reduction in fees which I don't understand for these high-density places or what have you. These affordable housing places. Park land fees reduction. In other words, it's a bad business deal all the way around. And so once again, I support the zeal of our housing department director and what she does. I do not support this dispersion policy which should be renamed aptly, "share the slums."

>> Councilmember Herrera: If there's no further discussion we need a motion to accept the report. All those in favor, motion carries. And moving on we'll have a report on cultural facilities asset management.

>> Kim Walesh: This was an issue that was first brought to this committee last November. And it's also tied to postredevelopment issues about how are we going to continue to sustain our cultural facilities that are owned by the city in the downtown. So this is a joint update with Kerr Rae Adams Hafner from development and Matt Morley.

>> Has been working with the Department of Public Works on cultural facility asset management. We're here to give you an update. By way of background our cultural facilities generate significant economic impact and cultural vibrancy while providing programs to over a million people. In addition to the agreement we have with Team San José to manage the four cultural facilities those include the California theater, the Montgomery theater, the civic auditorium as well as the CPA, we do have agreements with six cultural facility operators. Those include the Children's Discovery Museum, History San José, the San José museum of art, the San José reppatory theater, the schools of art and culture the Mexican heritage plaza and the accordance with the operations and maintenance or O&M agreements, most are long term agreements pink they range from 15 to 50 years. The scope of the programming, building signs and the responsibilities, vary from organization to organization. And therefore, so do the subsidy amounts. The total for the six O&M agreements is approximately \$3 million. With the contraction of the city budget and the elimination of the Redevelopment Agency, the funds for deferred maintenance, major repair and capital replacement for these facilities may only be available for very urgent needs. The estimates of deferred maintenance range from \$6 million to \$12 million on these six facilities alone team San José. So at the November meeting we came to the committee and we recommended exploring a set of strategies to sustain these facilities. The range of ideas included the creation of a capital maintenance fund through a T.O.T. increase or reallocation, an admission surcharge, cultural task districts, a property assessment, a parking fee, redirecting subsidies and also, transferring facility ownership. our cultural facility partnerser not preparing for zero. However there's an ongoing need to plan for and finance the sustainability of these cultural facilities. So we're here today. And we're recommending two strategies. The first is the development of a sinking fund option for cultural facility operators amount the second is the exploration of financing significant facility repairs as part of the infrastructure general obligation bond or G.O. bond matt is going to discuss the G.O. bond. So staff is recommending through an M BA for next fiscal year the establishment of a cultural facilities

capital maintenance matching fund. This is an optional matching fund the and it works like this. The city will redirect 5% of the O&M facilities into a separate fund and then the city will match it, match the additional 5%. So as I mentioned this is optional. So we approached our six cultural facilities operators and they asked if they wanted to participate. Two have agreed and that's the Children's Discovery Museum as well as the tech museum of innovation. And how it would function is each year we would sit down with those cultural facility operators and we would assess their facility needs and we would determine mutually how to -- what was the highest and best use of these funds. Now for those organizations that have chosen not to participate in this fund our relationship with them will not change. We'll continue to maintain their facilities as we do now. The only difference -- well, the reality is just that they will continue to compete with other city facilities for very limited funding. So we are recommending through this MBA redirecting \$69,500 of their O&M subsidies for these two organizations, that's the tech and CDM and the city will match it so there will be \$139,000 in the first year. And what we will request if not all of those funds be used in any given year that they be rebudgeted. We currently have a greatly model of this working right now, and that's at the school of arts and culture at the Mexican heritage plaza. We set a side 10% model and we want to pursue it. So I'm going to turn it over to Matt who is going to talk about the G.O. bond.

>> Thanks Kerrie. Wanted to talk a little bit about that a portion of the polling to gauge the response on the bond focuses on facility infrastructure as well as transportation infrastructure. And included within that facility infrastructure is a portion of the need at these cultural facilities. By default they're included in the discussion as well and we made sure they were incorporated in the dollar amounts that we were discussing and polling on. This is important because some of the facilities the city has criminally obligation include infrastructure obligations so we are potential libeled obligated of our facilities. An as we're looking at this the focus would be on infrastructure that's reached the end of its serviceable life. So at this point it is in need of replacement from our perspective. So we look forward to the polling results as they come forward and moving on with the next steps, should they prove fruitful. With that, that concludes our presentation on this. We would like to thank the cultural facilities that have partnered with us. And Mary Lee Jennings from the children's discovery museum is here. And we thank ears.

>> Councilmember Herrera: Are there any questions? Do you have any sense of what portion of the bond would we be detail? At this point?

>> Yeah, I think that's all information that will come out of the polling so it will help us to engage what the overall interest is and a portion of those funds will come to the cultural facilities.

>> Councilmember Herrera: Before we have a motion, David Wall wanted to speak on this.

>> The key word that needs to be stricken from all council discussions from here on out is, deferred. You have deferred this, deferred that, through the city, through years. Now, it is unfair to the taxpayers to run up these huge deficits with reference to obligation to maintain these facilities, and then have the people that are in charge of running your programs try to run the programs without the necessary responsibilities. That's inherently unfair but it's inherently deferred fiduciary duty. So there needs to be some business plan that links in all your deferred 19th into one financial instrument and offering to the public, and this instrument has to be well defined so there can be no more council shenanigans with reference to deferring this for one reason or deferring this for another reason. In other words you have to grow up and be tough about this and be very structured about this and you have not been. This should also be linked in with Department of Transportation, with that nice \$1 billion price tag of deferred responsibilities. We have for example the living wage ordinances that should be reviewed. Whether or not they should be eliminated or modified, is room for your discretionary period. But in all matters, when these very valuable city employees off to my left come for you, to maintain their buildings, in a way you should be ashamed of yourselves and whenever you're in the company of revise councilmembers, give them their variations of expletives deleted on the matter.

>> Councilmember Herrera: We need a motion to accept the report.

>> Councilmember Oliverio: I'll do that.

>> Councilmember Herrera: All those in favor, aye, thank you. Motion carries and we are on to a verbal report on business plan for the clean tech demonstration center.

>> Kim Walesh: Now called prospect SV. This is the second check in on the strategic initiative in the Office of Economic Development with ESD and Public Works. And it's really designed to advance the clean tech cluster in the city and entire team focused on this, with Scott Green in our lead position. And we have Carol Loffer if you could raise your hand, Carol has a lot of experience developing similar demonstration centers which are being developed in L.A. and Massachusetts and have been vital to us, and along with we've got Jo Zientek in the audience. Scott.

>> Good afternoon, CED committee we're please basis for a pitch deck that we plan to use over the course of the year as we promote and market the facility.

>> Councilmember Herrera: So are we did Guinea pigs is basically what you're saying?

>> Basically. I know Lee had trouble with this. User error. So what is the opportunity? The strategic goals for the center is to accelerate the attract companies, substantial and resources to San José. We currently have over 100 clean tech companies in San José and we're looking to build on that inventory. Accelerate development of the clean tech cluster clean tech commercialization. We view the center as an opportunity to advance the Green Vision and build off our pioneering demonstration developed in 2008. Project Silicon Valley demonstrate and prototype. Provide commercial trials for innovators to test solutions to help attract capital. There's been over \$sen billion worth of clean tech capital that have flowed to the region over the last four years and we think infrastructure like this can continue that trend. And Project Silicon Valley wide range of nonprofit stride and public agency partnered needs. Key stakeholders and prospect include clean tech companies entrepreneurs and innovators, solar and storage smart grid space, research labs and academic nice incubators accelerators and business plan environmental business cluster green start in San Francisco, trending organizations and partners and sponsors. So potential partners include, well I'm going to start with Lawrence Berkeley labs MOU with LB and L now, we think it's the first in the country that links city infrastructure to the national labs. The focus of the MOU will be technology development, demonstration and pilot work, and technical assistance. We have a meeting this week with Stanford university, a follow-up meeting on the 25th. I mentioned green start. We have a verbal agreement with green start accelerator in San Francisco event here's and we're look fog link their winners to

demonstration opportunities at the center as well. And last I'd point out Department of Commerce is a seal that's up there around they're already funding into the project and we're looking to fund to their grant programs. Projection Silicon Valley will 17,000 square feet of high bay configurable space, suitable for technology demonstrations, specialized for clean tech prototype demonstration and testing labs battery chemistry and prototype. 3,000 square feet of shared open office space which you can see in the upper right-hand corner conference opportunities. Council requested that when we returned to committee we identify lessons learned from the incubators that would inform our approach with prospect Silicon Valley. While this is not an incubator there are five areas that we are focused on. The first a clearly defined strategic goals and success measures and sustained attention to them once the facility is up and running. Proactive and intentional focus to ensure best chance at company attraction to San José making sure that companies that come into this demonstration space land here. Strong regional partners, critical to the success from a deal flow perspective and bringing companies to the center. Importance of the city owned facility to eliminate the need for an ongoing rent subsidy and finally diversification of the stability. As clearly defined success measures are going to be important to judge the impact and ultimate success of the center. Number one is the number of companies that utilize prospect Silicon Valley the number of committed partners which will create a hub of clean tech in San José at the center, number of secured grants we think this facility can play a unique opportunity in attracting grants and matching the facility into grants which is sometimes a problem that local governments have in attracting grant money. We will have a dedicated facility that can provide match into commercialization grant programs. And the number of hosted trainings at the center . Lot lesson learned was the importance of diversion revenue streams. And the model is that there will be diverse revenue streams to support the center. A couple worth pointing out. Determine how space rent. If you can imagine companies demonstrating on the floor of the center, we envision a model that has \$1.50 per square foot plus utilities, for a minimum of a thousand office space rent and rent for nonprofits. Office space rent is focused primarily for companies that are doing demonstration work on site. Exhibit fees and this is primarily for larger more established companies that will exhibit products out at the center. Grant revenue I already mentioned. Department of Energy, Department of Commissioner, California energy commission are some of the commercialization programs that we will for sponsorships. So participateship and sponsor levels. We've already discussed partners quite a bit. Universities, labs, foreign governments. These are not paying parties to the center but they drive early stage to the center. Strategic Alliances oop these are fee for

service agreements and they're tailored to meet the needs of the benefits here would be seats on advisory boards, conducting collaborative projects, opportunity to pursue grant-funded projects and name rights. And finally sponsorship levels, three left the catalyst at \$50,000, the leader between 25,000 and 10,000, and the contributor at 10,000 to 5,000 and this would confer a range of benefits including seats on an advisory board at the center, naming rights on conference room and training facilities, sponsor of events, connections to networks of partners signage and networking opportunities. I'm going to hand it off to Nancy to discuss the budget.

>> Thank you, Nancy Kline economic development. What you've seen is nine different areas that Scott briefly touched on and her cohort have shown us that best practices nationally, internationally are to have multiple sources of revenue. There will be several that are moving forward at a time and there will be seasonal opportunities for other. But grant opportunities, training opportunities, office space, rent, demonstrations, exhibit fees, et cetera. So that there will also be events that can be held at the location. So with that in mind what we have worked as a team with ESD, with ourselves, with folks out in the corporate world to look at a very conservative amount of money especially in the initial year and the sponsorship as well as honing down operating expenses so that we can look to be a real model of how to include private partnerships to leverage ongoing operations in the center. And as you can see, this is not, I should also include, completed. This is where we stand now before we open a year from now. So we hope to best even the numbers that we have here in terms of sponsorships in and we're showing by our first full year we believe it's possible in 13-14 to be running it in the black. So we're beginning to have very positive conversations with potential sponsors. Folks are interested. We are finalizing thanks to Carol and our team those final sponsorship agreements so that we can begin to get them out and get some response back and have them signed and checks. So with that I'll turn it back over to Scott.

>> Thanks Nancy. So the org structure, the new nonprofit would be formed by the city that -- and the city will maintain strategic planning and oversight function until the city formed nonprofit is completed. There would be a seven member board appointed by the city and the responsibilities would include financial oversight, budget approvals lease approvals and facility operating rules. Clean tech projects can be very technical as one might imagine and to that end there would be a 15 to 20 person advisory board from public and private sector representatives. From L B and L has indicated interest in serving on this administrative assistant. So next steps,

sign MOU with L B and L. We can cross that off. That happened this week, again we're very pleased. Identifying key strategic partnerships, this will be ongoing implement the governance structure May through August. Hire business development manager half time in the August-September time frame. Progress report to council in December, hire executive director February of 2013 and cut the ribbon on prospect Silicon Valley in April of 2013. With that, that concludes our presentation. We're available for questions.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. I really like how this is coming together. I do have a couple of questions regarding Nancy you indicated that we're hopeful we may build kind of running in the black within a year. But it's all -- and I think the good news is like at least we're starting to see a little bit more interest in investment in the valley and I think facing public will help get us some money. But what is the -- I don't want the expectations to be raised essentially that we are assuming that we'll be in the black in a year, we come back and we're not and it's running a deficit and then what is kind of the worse case best case scenario? If the best case scenario is running in the black if we don't get the investments, investors we hope you know, where will we be in a year or as maybe even like a year into ribbon cutting?

>> Very fair question, thank you very much. The beauty of the facility is that if we're not necessarily engaging in activity that's bringing in revenue, we're at a city facility where we don't necessarily have to be spending any dollars either. So that is something in this, that it is already owned by us. If the lights aren't on we aren't spending dollars. So we have to have folks that are engaged actively in the facility with us. Also looking at the opportunity now, early, pounding the pavement and having those conversations of sponsorships that will bring a network of people into the facility as well as early dollars. And quite frankly hiring someone who is really good in terms of fundraising, business development to make rain. But to your point, we will be over the next three to four months really honing this and coming back with some deliverables of dollars. There are conversations about how you build a bit of a seed fund as a rainy day fund if that is appropriate, and that will also be discussed with the organizational structure that Scott referenced.

>> Councilmember Kalra: Okay great and also, the figures that were shown that could potentially be in the black and even have a slight revenue generation by the following year. Is that just for the maintenance and operation of the facility or is that including administrative costs in terms of creating a nonprofit all inclusive?

>> All inclusive. edment EDA economic development agency had included was solar. We could even mull back or take down our utility cost even lower. We want to see how we can manage that resource once that system gets in. So there are things that I think we could cut even more expense out of this budget. But again if this conservative approach right now were looking optimistically cautiously optimistically in a positive position and we will be back to give a better view as this shapes up.

>> Councilmember Kalra: Great. No, I understand this is kind of the preliminary view and I look forward to the honing down into more of the details but I have faith in the team, I certainly have faith in Scott that this is something that can be very successful. Thank you.

>> Councilmember Herrera: Great report, exciting. Just wanted to understand. Looking at where revenue would be coming in from, what percentage would be -- of the revenue would be from tenants and people spending on services, versus funding from other sources?

>> I'm looking at that tentative budget right thousand councilmember and chair Herrera and I would say it's about 34% based on fees, and then sponsorships and grants coming into the facility for the remaining. But that is again a very early-on sizing --

>> Councilmember Herrera: Fees same day exhibit fees or somebody actually renting longer term ?

>> That's correct.

>> Councilmember Herrera: One of the lessons learned is whoever is going to be a long term tenant in the place would really meet some pretty strict requirements about you know brick forward the right technology, really being a match for the facility?

>> Absolutely.

>> Councilmember Herrera: We would not just look at someone giving rent, it would have to be someone that adds value that meets the needs of the facility and helps them add value, would you guys agree with that or comment on that?

>> Dent. There are two aspects of that, the intent is not to have the entities be long term residents here, there would have to be potentially very networks, frankly and we can't forecast whether that would happen. As one of Councilmember Kalra's question, as a backup if we weren't getting the appropriate amount of revenue we could lease the space to get BART coming to it in the not-too-distant future and we'll have two other very solid tenants adjacent to the use. That is a good backup but we certainly hope that doesn't come to pass.

>> Councilmember Herrera: I would like to us to get the right tenants. I wouldn't want to lease it to the kind of devaluing that kind of idea here. I want to hear if you guys agree with it or --

>> I would absolutely agree with that. Given some successes we've had, to give them a demonstration opportunity we've seen through our work companies scale very quickly into the marketplace and land here and attract you know substantial funding so we definitely want the right attends in there to provide for the opportunity.

>> Councilmember Herrera: They need to have the understanding of that so that's the direction they go around they don't deviate from that plan. Kim had a comment.

>> Kim Walesh: Most of the leases will be short term in our view three months to one year so projects will be cycling the 30 the demonstration center throughout its life.

>> Councilmember Herrera: It's a very interesting vision. Very excited to see this thing get off the ground. And I believe David Wall wanted to speak on this item.

>> Prospect Silicon Valley. Interesting. Why not prospect San José? It seems like the city is being a little bit ashamed of the term San José. It would be interesting to see a written report of this plan. These little video things are nice but they're not very good for analysis. With reference to the funding source for this, what I would call boondoggle and I'm going to have to go for a public records search on this. So if I find the sewer service and use charge or the storm drain fund part of this, I'm going to be a little upset. Lessons learned from the incubators. Key thing is: You stay away from them. And this project walks like an incubator and smells like an incubator. So I don't predict much success for this. And I'd like to know, when we have grandiose plans and we should not retard plans, who's going to fall on the sword that collapses? In other words, who loses their job after all these expectations are not met. And I think anybody that relies on fees, sponsorships, and grants, as a European financial markets are about ready to collapse, it reminds me of the story of a monk yeah. If you give a monkey a hammer and a bag of nails, eventually the monkey will slam his finger with the hammer and know, why his thumb hurts. But with councilmembers, with a hammer and a bag of nails, they hit their thumbs and wonder why.

>> Councilmember Herrera: I don't think we need to vote on this so we'll move on with the legislative update from Betsy Shotwell.

>> Betsy Shotwell: Thank you, Madam Chair. members of the chair, Betsy Shotwell, Director of Intergovernmental Relations. I am here at that time of the year when I'm visiting the council committees presenting legislation of relevance to the committees for your review. Since the memo was written of course the governor released hi May revise, revising the state budget as he proposed in January. It came out last Monday and the new deficit, as indicated on Monday, was from the Department of Finance to be hovering around \$15.5 billion. The leg analyst then on Friday came out and said that she -- he, excuse me used to be a she. Could be north of \$17 billion and that the Department of Finance has overestimated the amount of money that they think they would be getting from the affordable housing funds statewide from the Redevelopment Agencies that have

been shut down. So with that, I think that's something to keep in mind. You see the number of bills that is right on the report are in the budget condition many may not make it out. They have to make it out of their house of origin by next Friday, June 1st. Being that Monday's a holiday they'll be having floor session on Friday as well to deal with the hundreds, literally hundreds of bills that are pending. So in a week or two we'll know a lot more, I'll have a lot more information for the council. The -- clearly in the memo the bill that we have emphasized the most in the last few months on page 4 at the top is AB 1585 and that is redevelopment clueup legislation that I've referenced in the past. That discussion as it went through the assembly bipartisan vote has been on a hold in the senate pending the release of the May revise and since then the Department of Finance has just released a trailer bill, trailer bills they call them to announce the Department of Finance's version of life after redevelopment. We are meeting lineally beings issues as they are presented and discuss next steps. So with that I'd be happy to answer any questions, or find further information for you as needed.

>> Councilmember Herrera: No questions. Okay.

>> Betsy Shotwell: Thank you. See you in a few months.

>> Councilmember Herrera: Fine. With that, our meeting is adjourned. Oh, public forum. Not to leave you out, David, do I even see a card for you, did you turn in a card?

>> Councilmember Herrera: We'll worry about that after. Why don't you go ahead and speak.

>> Open forum, is that what I'm speaking on?

>> Councilmember Herrera: You are speaking on open forum.

>> Have good madam. Hydroma with revenue to the \$115,000 692 Barry Swenson builders by the City of San José. Now Barry Swenson builders wants this mitigated down to \$36,590 for a variety of reasons. My own personal position on this is prevailing wage and living wage ordinance needs to be eliminated. Because these

things crop up all the time, for these general contractors, and sure it's their responsibility. But things happen in the business world. And the whole prevailing and living wage ordinance has created this politics within the city has not sustainable. It costs enormous amount of City Attorney time to come up with this remedy. That whole office of contract compliance, it could be just eliminated by getting rid of this prevailing wage and living wage ordinance. And it would actually do business a great thing. Now, why I bring this up today, it's because the folks that support measure B that sit before me, Barry Swenson builders, you got to pay attention to dates. Lawyers love dates, okay? Now, Barry Swenson's letter in April, all right, he wants this basically \$79,000 reduction but he also kicked in what, \$10,000 for measure B. So he's in one hand you say screw city employees. But on the other hand, city employees, you know, please give me \$79,000 back via the attorney's office for all this legal work to give you the construct for the legal remedy. And I think that this is a tough row to hoe. But it's basically interesting reading and you should look at it. As far as -- okay.

>> Councilmember Herrera: You need to fill out a card. You don't have a card.

>> Pardon?

>> Councilmember Herrera: Meeting is adjourned.