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>> Councilmember Pyle: Everyone, and thanks for coming to the economic development meeting. We are ready to begin, and even though Rose and I are pretty lonely up here, we are going to proceed -- we're not quite so lonely right now. We are going to begin for the sake of time. Hi, Sam. Let's begin by taking a look at those things that are going to be deferred. The habitat conservation plan. The commercial signage on city owned properties, and the consent calendar thing we really need to almost permanently remove. Yeah, but that's okay. But I would like to get a motion to change the work plan to accommodate those deferred items.

>> Councilmember Herrera: Motion.

>> Councilmember Pyle: All in favor, opposed, that's approve approved. And Paul, I'm really looking forward to your report because there's always something on there that's very interesting.

>> Paul Krutko: Thank you, Madam Chair. I actually have a fair number of items, so we did book ten minutes. I will be prompt. There are several things of interest to the committee I believe. As we break out that report, we talk about work that we are doing with the other departments in the city that are involved in facilitation along with the agency. Just want to share with you that despite what's going on in the economy there is a lot of activity in the clean technology space. So just to share with you, again the companies, we are working with two companies, one is a battery company that got funded by the Department of Energy. And the other is a company that is engaged in routers, and other kinds of technologies. A third, there are actually three. There is one that is a clean tech chip company but as you can see how they are evolving, is working in developing chips that are used in green technology. So your smart grid applications and those combined are about 425 jobs that we're in the hunt for right now. I also want to highlight on the retail side, we are working very closely with West trust, who is the entity involved with leasing at the plant. I just want to share with you that that property, and they give a great deal of credit to your colleague, Councilmember Nguyen, it's 94% occupied. And that it is now generating a profit and they've been very pleased with that development. So as we've with you in the past, the development of shopping center environments has long gestation periods. We get them now to the point so it's one of those things that we - - in performance measures we only count the first year that that new revenue comes into the city. We don't count it as a sort of ongoing total in terms of performance but some of these projects have a long gestation and we're working on others, several, we're working with councilperson Herrera, trying to get some work done at Arcadia. The point we make there is sometimes they have longer gestation periods than we like but we do get to the finish line. You'll all be receiving an invitation, a lot of folks worked hard on it including my colleague to my right. The earthquakes practice field is in shape and there's going to be a little bit of a ground -- I guess a ribbon cutting is the right phrase for that. One of the things we received direction from the council on specifically in mayor's message is that you've adopted and endorsed was to really put a renewed emphasis on what we call BRE calls business retention and expansion calls. The council provided us a target of 300. Just let you know that we're up to 125 and just a flavor of that. When city and agency staff met with Phillips LumaLEDs, a leading manufacturer in the space of LED lighting, they were very complimentary in the industrial tools program, these are the sort of endorsements that we put on the website. That the ITI program reduced what they saw was a three or four week process to two or three hours. This notion of moving at the speed of business I think Joe Horwedel and his team have really worked hard to assemble a couple of tools that we can get companies in and out. Tomorrow, you know, on your agenda, just to highlight, item 4.2 is something we're very excited about and want to take a couple seconds with the committee in this environment. The federal government for the first time is actually identifying and putting money behind regional innovation clusters. We know we are a regional innovation cluster in a variety of different instances. But other national governments around the world have put money behind that, as opposed to just organically. So the one that's out on the street now that we're pursuing is for the regional innovation cluster for energy efficient building systems, and what's interesting about that is Lawrence Berkeley national lab is the key lead in that. And they asked us, and what we're bringing to you tomorrow, to be their co-applicant. So they've asked us to lead a consortium that includes San Francisco and the Sacramento area regional technology alliance. We're going to be the lead city. Funding, this is a new concept at the federal level, the funding comes from a combination of agencies. So this is -- some of you met Brian McGowan when he was here. He's the second, number 2 in EDA, economic development administration and commerce. But they have taken a convening role in the federal government. The Obama administration, there is not a lot of money in EDA, but they are looking to them to convene all the other agencies. So this one's got money from Department of Energy, Department of Commerce, Department of Labor, Department of Education, and the National Science Foundation. It is \$135 million worth of funding, \$5 million comes through the EDA consortium and we're looking to put some of those dollars and our use of it would be to enhance the clean technology demonstration center we're

building on Las Plumas. We think we're going to be very competitive. They're going to have Livermore national lab, the national renewable energy lab in Colorado, Oak Ridge, Stanford, Berkeley and Davis. So this really really ups the game of sort of us participating regionally in a very significant project. Also tomorrow you're taking final action on the economic development strategy that we brought to you in study session a couple of months ago so I just wanted to highlight that. I also just wanted to take a moment, that we had a very positive article over the weekend, about the changes that have occurred in downtown. There was a lot of credit shared with our friends at that time police department, but I did want to take a moment to really thank Councilmember Liccardo for his leadership in this area. And I really also wanted to point out that many of -- much of the work to put us in this position was really supported by the city attorney's office, both -- don't let me forget, Renee and Angelique Nedro have really been drivers behind that, and I'd be remiss if I didn't mention that we I think have had a singular success in putting Lee Wilcox in a leadership role that we put him in. I just wanted to highlight that. I think that's about it, Madam Chair, that I wanted to share. One last that I would share with you is I know you have a great deal of interest in sort of what we're trying to do to get the message out about San José. Many of you participated but the public may not have been aware of it but we had a really great opportunity on March 16th. We were the host for the opening and closing bell for NASDAQ here, celebrating their presence in Silicon Valley. And actually an IPO of a Silicon Valley company. So that was a big day for us on the national stage. Also I think a couple of you noticed and it was a collaboration between the mayor's staff, RDA staff as well as OED staff, on a special editorial piece in Fortune Magazine, there was a special green tech piece that highlighted San José in Fortune. So that was a real collaborative effort. And lastly on that just in the outreach we had a very -- I want to report to you we had a very good positive meeting with eBay. Because eBay is reached out to us saying that they really want to -- our help in encouraging employees to not only work in San José, but to live in San José. So we were working with their team on a communication and engagement strategy so that employees in eBay are really aware of our quality of life in San José, and in encouraging them, those of them that are commuting long distances, to think about San José. They see that as important, as an important element in retaining and growing talent. So Madam Chair, that's all the things I wanted to talk about today.

>> Councilmember Pyle: Thank you. We have to do another NASDAQ. I am not often ill but I was that day. I'd love to have been there that day. That's great, you went under your time limit as well so extra kudos. We're going to move on now to the Mexican heritage -- let me ask are we ready Peter?

>> Councilmember Liccardo: Would there be opportunity to ask questions about the report?

>> Councilmember Pyle: Why not, absolutely.

>> Councilmembers, just to make sure, this is a report where the items weren't agendized, you can ask follow-up questions, but you can't have a full discussion of this.

>> Councilmember Liccardo: Within the context of the report, okay, great. Well, first of all Paul I just wanted to thank you personally for everything that you have done over the last couple of years on downtown issues. I know none of this wouldn't have happened unless you were pulling people into the room otherwise reluctant to be pulled into the same room.

>> Paul Krutko: Center City Manager also had a lot to do with it.

>> Councilmember Liccardo: Absolutely. No, it was the leadership of the city manager and your team, and I really appreciate that. Just about everything that's going on at Las Plumas, I know we're going to have this agenda item tomorrow, I know you just talked about the energy efficient building perspective and a lot of government agencies involved, including Lawrence Livermore and others, great organizations. Question is: What are we hearing from the private sector about their interest in participating or benefiting? Are they say, if we just had this we would really be able to do X, Y and Z?

>> Paul Krutko: Yes, I mean, that was one of the key reasons we've pursued this. We have a \$4 million grant pending at the EDA now, at Seattle region. And we're hoping, actually the approval of the strategy is an important step because check the box in their application is, do you have a current economic development strategy and we have. They're saying well is it current this year? So that's an important connecting the dot to get it released out of Seattle to Washington. But that -- the reason we've pursued that is, that we've heard from several small

companies, that to prototype clean technology, they need a bigger working environment. We've been very successful, and I think that's why our applications are looked at very favorably, with our incubators. But if you think about our two -- highlight two of them, the work we've done in software, the work we are doing with bioscience, bioscience you know in a very small space you can -- you can work on a product. Software, it's somebody in front of a PC. Clean technologies are much bigger, much dirtier, dirty in the sense of people working with their hands, industrial kinds of things. So that's why we thought partnering with ESD made sense. We have, straight up, in conversations with venture capitalists like Cliner Perkins, they say that's exactly the kind of facility you should have. But they take it a step further. They're also very interested in the demonstration policy, they're very interested in kind of prototypical things we can do like at the plant, the water pollution control plant. So those are -- yeah, very much received that this application, really is about engaging the private sector, and energy building efficiency. So they, in the consortium going forward there are a number of leading companies that are being a part of the application that are saying they want to partner with Berkeley labs. Our role in it is they do -- the way the Feds set up the program is they need a local governmental administrator. So we'll have a relationship with LNVL to actually administer the overall consortium for them. So it's a really exciting opportunity to be able to partner with the federal lab. I think it's probably the first in the city's history. But we're in competition. We hear Boston and others are putting something forward, but we think we have a pretty competitive application.

>> Councilmember Liccardo: Great, thank you.

>> Councilmember Pyle: Good question, and great answer. We're ready to move on with Mexican heritage plaza plans. Peter.

>> Peter Jensen: Thank you, Madam Chair. Peter Jensen, the general services director. I'm joined by Kim Walesh, the chief strategist for the city, and Elisa Echeverria, the MHP transition manager. Wanted to give you an update on where the steering committee process is for the plaza. Steering committee has done a lot of work over the past couple of months and is starting to hone in on a recommendation they plan to bring to you to the full council in May. Their recommended model for the plaza is a school of arts and culture. The classes would be at the center of that model. The other bullets that you see would be additional programming but would be tied to the classes. The liquidates would be at the core and would dry the mission. Over time the committee expects that the other elements would diminish a bit as the liquidates increase. The reason behind the committee's recommendation is as they looked at options in terms of their revenue potential, this one looked like the best to them. So this offers an earned income possibility in terms of classes, rentals, et cetera. And they see that being half of the budget model going forward. On the contributed income side, they do have an expectation of continued city support and will go into more detail on that. But they also think that their model is the one that is most attractive to foundations and corporate givers, especially. Because of that education in family connection they find and several of them through experience with this, that that's the type of programming that attracts more funding from those large givers. So the city role that they see -- let me first take you through and remind you where we are currently. We have six staff at the plaza, budget this year of about \$825,000. The programming is managed through the resident arts partners, the city is more of a passive partner in that. Although we do have a couple of good programs going now in the art gallery, there's an exhibit on the Brocero program, that's been done in cooperation with the Smithsonian Museum. Mexican Heritage Corporation is an affiliate of theirs, and great support also from the Castellano family foundation. And then theatreVision has done a full slate of productions. They've got a play *pearla* that's running now at the theater. On the events side, we are staffing it for events, but we are not actively marketing the site as an event site. This year we expect about \$150,000 in revenue, and continuing that model, we'd expect that number to be relatively constant if the city were to continue to operate. For next year's budget the council last year actually approved a second year reduction of a position. So that does bring our expenditures down to \$655,000 in what will be in the proposed budget ELC and of course again that's offset by event revenues so the net city revenue right now is about 505,000. The committee's idea in terms of where we go from here is that in order to implement that school of arts and culture model they think there needs to be a transition period during which the city continues to operate and maintain the plaza, pretty much the same way we do now. They'll be recommending that they move into phase 2 and phase 2 involves the more detailed business planning, financial planning, fundraising and leadership development that will be necessary to germinate an operator essentially for the school. And during that time, to prototype some of the uses that they would expect in the school model. And we are starting to get a couple of opportunities on that front and I'll talk about it a little bit more on the last slide. Their long term projection for city investment is 400 to \$500,000 a year. They see that as a subsidy to the eventual operator. So as you see at the bottom, we move from owner operator to owner landlord,

but they expect that there will be an investment. That's not based on detailed budget planning so much as it is on the type of investment that the city makes in other major cultural facilities. So I would expect in the business planning that the number will be honed further and we'll see how realistic the numbers are. So ultimately then the city would enter into a lease agreement with the managing entity. As I said that managing entity still needs to develop. As for alternatives, the committee did look at two primary alternatives in terms of the uses, the other was an arts and cultural center, similar to the way the plaza has operated for its first ten years. And ultimately they're recommending the school because they think that's got the better revenue potential. And therefore better potential to decrease the City's investment over time. Another option that we could go with is the status quo, so the city continues to operate. But again at the current level of investment it would be more in a passive role than a proactive role at the plaza. Of course the third option would be to close the doors. That has not been council direction so far but when we come back in May we'll want to put all the options in front of the council and get the council buy-in as to where it goes from here. Next steps. We did have a town hall meeting two weeks ago where the steering committee presented its recommendations to the public. We had about 100 attendees. Councilmember Kalra was able to come, as well. Generally the feedback was very positive. There were some concerns expressed in terms of keeping classes affordable. And sort of the change in the character of the plaza. So some felt it should remain focused on Mexican heritage and on arts and culture, more so than this one. As I said, the steering committee plans to come in on May 25th. What we wanted to do is give the council an opportunity to see the whole proposed budget and be able to put this into the context of that. Dropping down again, phase 2 talked about a little bit, so those are the key elements there. A couple of opportunities are approaching us, Alum Rock school district at San Antonio school which is right next door is doing a capital project. They'd like to work with us to convert the class -- the office space on the second floor to the plaza of the classrooms nor their use the next year which does fit the new model quite well. So we're interested in talking with them further. There are also summer programs. There's a summer nutrition program that's going to be done in conjunction with the county. And Mexican heritage corporation. Where there will be musical classes along with a nutrition element so again, an opportunities to test out some of these models as we go. So we'd be interested in hearing your questions also your feedback on where the steering committee seems to be going.

>> Councilmember Pyle: Question, Ash.

>> Councilmember Kalra: Yes, thank you. I want to thank you for the presentation and Elisa for the work that's been done as well. When I was at the meeting it was one of my takeaways from it and Chris Esparza and Connie Martinez I believe were the ones that were kind of coordinating or kind of MCing the event, so to speak, because there were a lot of people there, and they really gave a presentation, it was very well organized, and the whole committee was up on the stage, and they collectively fielded questions. I just appreciate the thoughtfulness of this idea and I definitely know that we all agree that it would be a lot of homework we'd have to do from here going on out. That's just a concept that we'd really have to carefully consider. But I think it can work. And I agree with some of the concerns, and Peter you mentioned some of the recurring themes of some of the concerns making sure it's still available to the community, and doesn't shut out folks that may not be able to afford it and schools can certainly factor that in, in general and particularly, in arts and cultural school. The other thing I think which offers and opportunity which was also raised during the course of that meeting is the opportunity to really connect through arts and culture, connect especially young people to technology as well and I think that's something that I think was really intriguing is to see how that could be done through that new model of whether it be graphic design, you know computer modeling and so on but using a traditional arts -- arts theme with new technology that's something that particularly that neighborhood particularly would be of great value to the surrounding community and to the region as a whole. I had a chance to see the presentation and I think it's definitely a well thought out idea and there's a lot more work to do. I know there's some schools I think there was discussions on maybe taking road trips to see one in San Francisco and there's another one in P.A.L -- one that's local that's Mountain View. I talked to the gentleman in the school in Mountain View. You know that could be done in one day going to check out those schools and of course there's the opportunity to see the one in L.A., I think that would be of value to the committee members and you know those of us in the city that want to see how something like this works and is proven to work in lower income neighborhoods, that -- in neighborhoods that aren't so dissimilar from the neighborhood that Mexican heritage plaza is in. That's something that gave me hope is that is something that could work. I really want to thank the committee and those of you here that are making the presentation and I know that it worked for quite a while in trying to put this together. Thank you.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: Thank you. And it's such a beautiful venue. I've gone to several events there and I'm just very, very impressed with what a great venue and asset to the city. I'm really glad to hear that we're moving forward with a model that hopefully can get it more self sustaining and continue with doing great things and cultural programming for the community. So I guess I'm wanting to understand how it gets to be more self sustaining. And you were talking about the overall goal, one of the overall goals is to decrease the City's contribution over time. Do we see it going below what we're projecting in here which I guess is 400 to \$500,000 in terms of the City's consideration? What is the end point of getting that lower?

>> Peter Jensen: Of course we would like to say the end point's zero.

>> Councilmember Herrera: In terms of time I'm saying.

>> Peter Jensen: It really depends how the model does. It depends on the model, a couple of slides back, Lisa, as far as funding model, how well they can do on earned income. I think we have got to be realistic about that. In the neighborhood it's in as Councilmember Kalra is pointing out, you've got some limitations unless you want to be sure you've got community participation. So there's a balance there. On the contributed income side we have seen some early positive signs from foundations, which would be a big deal if it could go forward and if it could make some inroads in corporate giving. That's really where the biggest opportunity is I think in terms of reducing the City's contribution. Hard to say at this point how far you could reduce it and how quickly.

>> Councilmember Herrera: So the contributed income, the donors is going to be more important. When I look at 50-50 it looks like other art organizations is not as high as 50%, I guess it's 30%. I was wondering why we had 50-50 as the model. It seems like it's a little bit ambitious there.

>> Kim Walesh: Part of it was just based on the experiences of other schools of arts, thinking that the contributed income could be as high as 50% three or four years in. I suppose there's opportunity to push it higher. One thing the steering committee really wrestled with was the facility, it is a beautiful facility but it was inherently in hindsight not designed for flexibility, not designed for education, not designed for energy efficiency and minimizing operating costs. So that's one of the reasons that at least in the early years the assumption is that there is going to need to continue to be city support for operating and maintaining the facility itself. You know over time I think we'll have a sense of how that could diminish. The model in Mountain View has basically no city support but it was scaled up very slowly with a custom designed facility totally purpose-built for education and that's just not the case here.

>> Councilmember Herrera: Well, I highly support the education idea. I mean I think it goes along with a lot of other goals that both industry or city, we're all talking about ways of really accelerating education and the arts is part of it. So I really support it. I'm just also aware of the budget situation the City's in so even though we're citing all these other facilities that we're contributing but I don't know how long we can sustain the level of contributions we're talking about. I think we need to be mindful of moving forward on the assumption that we're going to be able to support this at these kinds of levels. And hopefully, we can you know we can work with donors and other ways to really increase contributions to this facility.

>> Yes.

>> Councilmember Pyle: Thanks, Sam.

>> Councilmember Liccardo: Thanks, Madam Chair. Yes, I agree with the sentiments that were expressed by my colleague, Councilmember Herrera. I mean I think we're looking at a tough winter now, and we know it's going to be a very long winter for arts organizations on funding. What I thought was remarkable about the presentation, was probably a footnote which was the Alum Rock school district. And getting their participation to convert those offices on the second floor to classrooms could be the linchpin I think of something quite remarkable. And by that I mean, I really like the concept that the subcommittee laid out here and I'm appreciative of their work. I know this is a concept a lot of folks have been thinking about for a long time. I'm very impressed by what happened up in Mountain View, I've been to that facility several times, and last time I was up there I think it was for a movie that was presented by a local producer, Chique Noaftia, who really attracted an enormous crowd there because there

was so much community support there. And of course the rap on the plaza for so many years, 15 years now, this is not widely supported by the nearby neighborhoods. I represent some neighborhoods, only a stone's throw away. So I'm really mindful of that, because I go to community meetings and ask people if they've even been to the plaza before and I get a lot of blank looks. What I think may be a useful direction to think about in addition to clearly this model which is great which I think contemplates under this model we've got classes for children and adults on week needs and Saturdays and then programming during the daytime for seniors and maybe preschool students. I think it may be fruitful for us to look at ADA funding for schools as a way to support the institution, and actually look at a daytime school use that's existing public school, Alum Rock or a charter school that enables us to keep the -- keep the buildings open in the evenings and actually draw the community in. Because the school is one institution, and like the church, that really managed to get widespread community support that's geographically focused. And I know that we'd certainly like to be doing things like senior programming during the weekdays but maybe that might not be as financially sustainable, and particularly knowing that we may have senior programming at nearby Mayfair or elsewhere. So it seems to me that we really ought to explore this partnership with Alum Rock in a serious way. Because this may be our ticket to sustainability, being able to get statewide ADA funding, and combine that with programming opportunity in the evening, then you really have a community embraced facility, as well as something that supports arts. But I know I'm sure those ideas have been beat around before, those are just my two cents.

>> Councilmember Pyle: Those are good-sense cents. I'd like to just say too that Sam stole a couple of my questions, but I still have another one. When you look at the income and the -- that the idea of the ADA makes a tremendous amount of sense. The fact that schools loss a billion dollars in this last round doesn't help, but that's all the more reason for all of us to push for schools, as well. With that, are there any other questions? Rose.

>> Councilmember Herrera: In terms of capital improvement that need to be made, for instance, for converting to schools, how are we looking at being able to fund that, or would that be a proposal that would involve the school funding?

>> Peter Jensen: The main one we're looking at is the Alum Rock one, very preliminary at this stage. But they are -- it appears it is to their advantage to go ahead and fund the conversion themselves because there are alternatives to put portables on campus which is pretty expensive. So we want to continue to work with them in doing a partnership, but preliminarily it looks like that might be a source for us.

>> Councilmember Herrera: And I want to support what Sam said, on looking at the schools moving forward and getting the ADA money and really utilizing that as an anchor to keep it going, I think that is a great idea.

>> Paul Krutko: I was wondering, Madam Chair -- staff, could you respond to the question that Councilmember Liccardo made, do you have any information since you've been working with the group how they would do that?

>> Kim Walesh: Yes, it's a good suggestion definitely to put into the mix. It was raised in so many words at the town hall meeting, couldn't that be a formal school, the response that staff gave is that's exactly what this phase 2 is, there is a team that will look at program and a team that will look at business model. They'll look at a whole lot of questions, paved on the questions at the town hall meeting.

>> Paul Krutko: So it probably will be helpful to explore that idea a little bit. You're scheduled to come back to council after the budget study sessions but in the same May time frame. So it would be good if, based on the council's comments here, if we could kind of explore that and include that in the presentation when you come back.

>> Kim Walesh: Okay.

>> Councilmember Pyle: So there was expand the marketplace and expand the moneys, basically. Okay, with that I have one card from the audience. And that would be David Wall.

>> David Wall: Please turn to page number 3. First off I think this is an outstanding program in its reduced form from our last presentation. It's been well thought out. And I believe this could and should go forward for the following reasons. First of all, you see the list of expenditures. You're looking at the moth ball fleet potentially. So

the actual expenditures -- if you look at it too, it is a regional concentration for the downtown core. And with scandals of late, we need to really look at the moneys that we're spending. But above all, this represents an opportune time to invest in another district, district 5, to broaden out the economy. There will be a lot of ancillary good here. Now you're talking 3.3 million for the moth ball fleet in total. So there is money to be saved and forwarded for this investment. This is -- this is an investment. Now, part of this economic development is not just a community thing. This is a regional aspect. This can become a music school, an art school, a place where kids can be -- all sorts of funding can come in. You can have the police department's drug seizure money, antiprevention -- crime prevention, graffiti prevention, all sorts of ancillary funds can come into this, but focus on the music and the artwork, language would also be good. Now how you're actually going to be able to get the backbone financially to do this, this is your decision. But this is an outstanding program that should be put to the top of the list. Primarily because of all the ancillary sales tax revenue that will be generated from this, and the funding that will be coming in and notoriety. I think this is very well thought out at this time period.

>> Councilmember Pyle: Thank you, David. And we're ready to, if there are no other questions, we're ready to move on, then, to the legislative items. Betsy is here. Thank you.

>> I'll move.

>> Second.

>> Councilmember Pyle: All in favor? That is approved unanimously. Well, Betsy what's the temperature of the water in Sacramento?

>> Betsy Shotwell: Oh, boy. Let's see, where do I start? Members of the committee, Betsy Shotwell, director of Intergovernmental Relations. You have before you Roxann Miller's and my annual spring report on legislation related to this committee's mission statement. And I would like to open just by saying this is the second year of the two-year session. We are around -- there are thousands of bills that have been introduced as the document notes but we are approaching some key deadlines. The next will be in May when bills have to get out of appropriations committee. Of course that's questionable if they will be able to because that depends on having a budget. And money to fund these measures. So with that I would like to turn to two bills that were signed into law by the governor. And one of them is listed on page 6. And that SB 71, the economic development, sales and use tax exclusions and environmental technology project. And of course this legislation creates a sales tax exemption for the purpose of green tech manufacturing equipment in California. We were one of three states that didn't have that. The governor was down at nanosolar last month to sign that bill into law. I know Councilmember Kalra attended, and the mayor, and the mayor received a signed copy of the legislation. The governor was very appreciative of San José's role in this and the leadership of the mayor last year as we were moving this legislation along. The second measure I would like to bring to your attention is opposite on page 7 and that is Senate Bill 401, taxation, federal conformity. This measure is also reflected in the director of housing's report, you will see further on the agenda on foreclosures, but this will extend through 2012 provisions allowing taxpayers to exclude from income the amount of mortgage debt under principal residence that has been discharged by a lender, as an example, in a short sale. This since the memo was written was signed by the governor on April 12th in order to allow for individuals to take advantage of this prior to the April 15th filing so they wouldn't have to file an extension. So this was a great bill. But in addition there is a second part of the bill that the governor was also very ecstatic about naturally which exclude from income tax receipts federal grants authorized by the American recovery act for qualified renewable energy investments in 2009 and in 2010, again that was another key piece of the bill and again signed by the governor. So very pleased to report on the passages of those two bills. And with that I'm open to any questions you might have, comments.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: Thank you. This first comment, SB 71 not only great for our city and I know that especially because nanosolar is one example of several companies in our city that are on the verge or prepared to expand their manufacturing. So it's going to be huge and allow them to hire more people and really get more people working in our city and our region. So that was a really positive one. I have questions on a -- one more comment on AB 1177, interagency council on homelessness. I really appreciate assembly member Fong pushing forward on that and certainly strongly support the recommendation for support on that to create a statewide plan

to address homelessness. And that same page hire up on AB 761, the mobile homes rent control I agree with the position of opposition. It indicates senate committee on judiciary. What is the prospect of that moving forward?

>> Betsy Shotwell: I may refer to the director of housing on that one, if the director of housing has heard something new on that I haven't.

>> Leslye Krutko: Thank you, councilmember, Leslye Krutko, director of housing. It's a bill that has not moved but it's always of concerned so we'll continue to monitor it.

>> Councilmember Kalra: No rush, I was curious, it is an issue of concern if it did go further than the committee level.

>> Leslye Krutko: There is also -- we can come back to you with a report, because there is some litigation in that same area that we're concerned about and we're watching.

>> Councilmember Kalra: Okay, a couple of lines down AB 1139, the income taxes and the credits, I just wanted to get clear on the synopsis of what this would do because if that's the case I certainly would agree with the opposed. This has to do, it looks like it would required 21 days, would require an application within you 21 days of hiring of an employee in order to qualify for the tax credits that currently exist in enterprise zones.

>> Betsy Shotwell: I don't have additional information other than that.

>> Councilmember Kalra: Okay, if that's the case certainly a strong opposition over the last year or more I've visited many companies in the new enterprise zone we have in Edenvale technology park that even months after it became -- has become an enterprise zone we're not aware of the fact that they qualify four these tax benefits. Not only they qualify but it's retroactive, literally has saved tens of thousands of dollars for these companies. Not only in San José but in California I think that's one that I'd be a little bit concerned about given that we don't have much else in terms of incentives from the state level to encourage companies to stay here.

>> Betsy Shotwell: Exactly. It does look for now it is held and not moving forward but certainly we'll keep an eye on that one, certainly, thank you.

>> Councilmember Pyle: Did you change your mind? I'd like to -- I thought most of the bills we fine but AB 2734 by Perez which was the creation of the office of economic development I thought that was quite interesting. You might have a few words to say about that.

>> Paul Krutko: Well, I was going to tag team with Betsy. I was going to raise that one as well. The governor did move forward with creating an Office of Economic Development. And did appoint a -- I guess a director I guess is the right title. But I'm not sure. Brought staff sort of detailed from various parts of the state government, into this new operation. Those of us -- I'm active in the California association of local economic development. We think this is probably the right move. We're just curious about the way it was done. And now there are some bills that are looking to try -- I think there's another bill as well, Betsy I don't know, but I thought I heard of two, that are trying to set this up. We would probably, as staff for council, we would encourage support for this notion because the state has been noticeably absent in economic development. Whatever economy we are in the world these days I think we're 8th, the fact that the economic development function is scattered throughout state government. Lacks a real focus. The notion that much like we've done here, you would pull together your economic development team, and have it be at a very high priority level, would be something we would hope would last this governor and be picked up by any of the candidates that are elected. Because I think it's something that's noticeably lacking. So that's what that's about. So there is -- there is now, inside the governor's office, an office of economic development, for whatever it's worth, in April of 2010. The other one I wanted to mention, Betsy, maybe John can comment, I heard -- I was at a CALED meeting last week and there was some discussion about a bill coming out of L.A. that deals with broadening the definition of economic -- what redevelopment funds could be used for and moving into areas of economic development. I don't know John if that is something we should be tracking.

>> John Weis: I do think we have to take passengers to it. It's a bill that clearly comes out of L.A. They want to increase the way redevelopment funds can be used for more broadly economic development purposes and I think

that's a good thing for us because every time we do various kinds of projects like clean energy projects the only way that we can justify them is to the industrial development side, is to do equipment reimbursements and the like. And so it really limits it. For example, we were doing some work, some time ago, since they no longer are doing it, we can't do it with a meet with Sony for a major building and we could not figure out a way to get money to them but had this passed we would have been able to do something. So it's a very important thing for us, because increasingly those are the kinds of things that we need to do both to attract and to retain corporations.

>> Paul Krutko: Just tagging onto that what I did hear that's why I wanted to get with you. This is just Thursday I heard about this.

>> Betsy Shotwell: Okay.

>> Paul Krutko: But Bill Allen, the head of L.A. economic development is a driver on that. If John's right what I heard is beyond the uses it's also how money can be put in. As John said, the way we do now is equipment reimbursement but what I understand is, it would allow redevelopment funds to be lent to be used as loan guarantees, a whole array of new ways of putting the money in beyond just the types of things that you can do. So we should monitor and if there are things that we are interested in --

>> Betsy Shotwell: Absolutely.

>> Paul Krutko: We should weigh in I think. We do have an opportunity given our large city status to work with L.A. on things that might be important to us.

>> Councilmember Pyle: Thank you, appreciate that extra input. I would like to ask a couple of things or bring up Joe Simitian's name for a couple of reasons. First of all, Judy Chirco our very own beloved Judy Chirco was selected by Joe Simitian as woman of the year, so that was really good news. And the other thing that I've heard, Betsy, but I haven't heard any proof of it, is that Joe Simitian submitted a bill, I guess, it will be too late for this session, I believe, having to do with -- I hope he did it before February 10th, but I'm not sure -- having to do with collecting vehicle license fees on a two-year basis. And in some cases it would be three years. And the two years would allow a surfeit of cash to be brought in. What we do the second year is another question. I think maybe the thought is that by that second year, things would be that much more improved, and things would stabilize a little more. Have you heard?

>> Betsy Shotwell: No, I haven't heard of that but I'll check it out definitely.

>> Councilmember Pyle: Obviously it was after the 10th. Won't help us for --

>> Betsy Shotwell: Depends if it got an amend somewhere. I will check on that.

>> Councilmember Pyle: I just wondered if you heard any information at all about income producing ideas because we're all waiting.

>> Betsy Shotwell: With regards to of course SB 71, there is the thoughts that by encouraging the manufacturer of clean tech, that would start business here rather than moving business to say Phoenix.

>> Councilmember Pyle: That isn't going to help schools or a lot of other things like government.

>> Betsy Shotwell: I understand.

>> Councilmember Pyle: So if you do hear of any income-producing thoughts we'd like to encourage it.

>> Betsy Shotwell: By all means.

>> Councilmember Pyle: Rose, did you have a question?

>> Councilmember Herrera: No, I was just wondering, in the RDA portion of it you were talking about, Paul, discussion about the RDA, which bill was that you were --

>> Paul Krutko: I don't know. What the bill number was? I don't know.

>> Councilmember Herrera: We were looking for the bill.

>> Betsy Shotwell: I will get that.

>> Councilmember Herrera: That's a different bill you guys are talking about. So definitely, if you could let us know about that.

>> Councilmember Pyle: Okay, any questions? There were no cards from the audience, however if there is someone that would like to speak to any of the bills, they're more than welcome to do so. No sale there. May I have a -- thank you. All those in favor? Aye, thank you very much. So we'll move on now to D-4. Which would be the small business development commission annual report. And I believe there are some people in the audience ready to do that. Thank you. I used to serve on that committee so I find space for that.

>> Good afternoon, members of the committee, this is James Smith chairman of the small business development commission and I believe you've all received the report of the 2009 accomplishments and activities as well as our proposed 2010 plan so I don't want to go into it in great deal but just touch on highlights. In 2009, our primary goal was to enhance small business participation in city contracts and vending opportunities. Our primary focus over the past several years has been work at the airport expansion and towards that end we're very pleased to set of presentations and have discussions from both Public Works as well as Hensel Phelps construction company on that and we're very impressed by the work they did, the outreach that was put in place to have greater participation from small and disadvantaged business opportunities. We also received and accepted input from a variety of local small businesses in pursuit of this goal. Our second goal was to improve the use and effectiveness of city programs that assist small businesses, and towards that end, we were particularly interested to receive the report from the deputy director of Public Works on the results of the 2008 procurement survey as the small business development commission had been active in working with the Public Works department on the creation and providing input on that survey. We also worked with and received presentations from the enterprise zone and participated with the East San José transition zone as they moved their location to a new facility. Our third goal was to energize the awareness and mission of the SBDC and towards that end we tried something new last year. We actually hosted the meeting at two unique offsite locations, the biocenter and the San José one stop. We felt that provided a great opportunity for us to get more exposure and get greater participation from our constituents. And we did also participate in the city's project on our commission focus groups. And were pleased to participate in that and look forward to the outcome in the future. And we did hold a hearing on the City's not reusable bag plan, and we also met with city council liaison to provide an update on our activities. So with that, I'd like to just briefly touch upon the 2010 goals. We have been actually operating under the same three major goals for the past several years and so we decided to put forth the same goals, primary goals for our 2010 work plan. We are going to provide a slight additions in the area of outreach. We want to continue to work with the city business assistant fairs as well as general business assistance fairs. We also continue to work with the various diverse chambers towards that end. And with respect to increasing awareness, we are looking to increase our participation in alternative media, beyond just the typical newsletters we have done in the past. So we look forward Tao to that. And that's the conclusion of my report. If there are any questions I'd be happy to answer them now.

>> Councilmember Pyle: I'm sure we probably will. Sam. I mean -- Ash.

>> Councilmember Kalra: Thank you very much for the report your service. Looks like you've definitely kept yourself busy. One question and comment has to do with finding new ways to outreach. I notice here, that contributing to existing newsletters, council newsletters and so on, we all send out newsletters up there. It doesn't necessarily have to be a monthly thing, but whenever you feel there is something relevant or a meeting or something you want to report on, I know we'd all be open to that, and we -- again, just more tentacles out in the community. And we also have a variety of different neighborhood community events. And even if you don't have the bandwidth for your members to necessarily be there, we have usually tables set up or there are opportunities

to really help market yourselves through our offices that I know that we certainly want to encourage and benefit your commission because you're there to really help our small businesses, that's something we all support. The question regarding the enhancement of the small disadvantaged business participation, you know, that's an ongoing goal and it's always challenging you know because of obvious limitations. Do you feel that there's been some progress on that? If so, within the confines of the law, how do you feel being able to approach that issue?

>> Well I think there are some -- yes, limitations with respect to how much we can do in that area that were not necessarily in existence several years ago when the commission was just first stated. Towards that end I think the activity with respect to monitoring results and looking at the progress has been fruitful in that we do see increased participation to the extent that we can really actually monitor it.

>> Councilmember Kalra: And do you think there's any one -- in what you've seen any one particular aspect of outreach that's more effective than others or do you think you need to kind of try them all a little bit and get feedback from those that apply and so on?

>> I think there's no one panacea here. That's why I'd like to bring the attention to the activity at the airport. I think they did a tremendous job of outreach and that resulted in some significant participation.

>> Councilmember Kalra: Okay, well thank you very much.

>> Thanks.

>> Councilmember Pyle: Are you ready Sam?

>> Councilmember Liccardo: Thanks for your service on the commission. I just wanted to let you know, I appreciate the work that you're doing. I know that there was a recommendation that was developed by the commission on single use bag ban. Although I didn't necessarily agree with the recommendation I wanted to encourage the commission to become more proactive on developing recommendations on council policy. There's a lot we do on Tuesdays that affects small businesses. And honestly, we don't hear a lot from the commission about a lot of what we're doing.

>> Understood.

>> Councilmember Liccardo: And I think it would be really helpful to see a forward-leaning position from the commission on promoting business in this city. It's something I think we all need very much.

>> I appreciate that input very much. And do -- we do want to be more perhaps proactive in our position with respect to overall issues that impact small business and business overall. I think in the last couple of years, it has become more of an acute problem than it has been in the past with respect to general business conditions and so we do anticipate more activities in this area, and I do very much appreciate your input on that.

>> Councilmember Liccardo: Great, thanks a lot for all your work.

>> Thanks.

>> Councilmember Herrera: Thank you James. I also want to add my thanks to you and your commission for all the work you've been doing. As a former owner of a small business I really understand how important it is, how important small business are in the contribution they make to not just our city but our country in terms of jobs and all the things that they do. I've recently been to the airport and seen some of the businesses there so I can really appreciate your point about it's great that we have some participation. And just walking through there a casual observer can see that we have some local flavor in the airport which I'm really, really glad. Because I remember them talking and discussing how we were going to do that and it's really good to see the results. So I just want to say thank you for your efforts in make sure that happens.

>> You're welcome.

>> Councilmember Herrera: I also wanted to ask you about goal 2. Of the kinds of programs that you've looked at, your opinion on, you know, which of those organizations were more effective? And I guess I'm thinking of the chamber of commerce of commerce, the different kind of chamber of commerce. Because my experience has been a lot of times the chamber of commerce of commerce are not necessarily the best for small businesses. Not to put you on the spot but what is the most effective organizations that you worked with?

>> With respect to the chamber of commerce of commerce they might be perhaps better suited to the more established existing businesses as opposed to emerging and growing businesses. So towards that end I think the job fairs or business assistance fairs, where there's a lot of sort of energy and growth and new opportunities and networking and that sort of thing is where some of the more action is so to speak as you indicated perhaps in the more traditional chambers.

>> Councilmember Herrera: And maybe we need to send a message there that this new and up and coming and growing businesses is something we need to pay attention to. Because some of those small businesses are going to turn into large businesses.

>> Right, and that's good for everyone.

>> Councilmember Herrera: Hopefully. And the last thing I think Councilmember Kalra is mentioning about, I just want you to know, I think a lot of our council offices are interested in engaging small business and support your efforts and I welcome any of your commission members to work with us. I want to let you know I'm very involved with small businesses in my district and very interested in supporting what you do out there.

>> Thank you very much. I think there's a greater opportunity for more participation between the small business commission and the council.

>> Paul Krutko: Madam Chair, if I might, we have a referral from mayor's message that OED and redevelopment are to provide some information to the council on the arave things we're doing in small business. So this is one component that, for its history has largely had to focus on how well small businesses are participating in city funding and make sure that they are having that opportunity. So I welcome the remarks. I think that director Allen and director Sherry have been very committed to this and have worked very hard with our team. This is one of those things where OED agents as a convenor, we don't issue a whole lot of contracts ourselves for those things. And so make sure that we are helping them figure out how to reach those audiences, were very important. But anyway, we intend during the budget study session to take a little bit of time to give you that broad scope picture of what all the things we're doing in small business. And one of the opportunities that I'm interested in pursuing with the small business commission is to have them work in a more direct way with the things we're doing out of Work2Future with the boss network, the virtual platform we have communicating with business and engaging on the side of how can we help small business be their HR department as well so we have all those folks coming through that -- those doors, how can we connect them with the job opportunities of small businesses. So I think we'll have a pretty good presentation for you during the study session, I hope.

>> Councilmember Pyle: James, I'd like to follow up on something that Mr. Kalra brought forward, and that was, that our newsletters and whatever we can do to help out, if you could just -- if you have cards to give to each one of us I'll incorporate that into my newsletter. And I think it would be wonderful for the community out there to know what you're doing. We don't advertise what commissions do enough. So we don't always get as many commission members as we'd like. I'd be more than happy to do that. So if you have cards, Susan will get those to us, that would be great. Any other comments?

>> Thank you.

>> Councilmember Pyle: Thank you. Any other comments from the audience? All right I'm waiting for a motion.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Pyle: Second? All in favor? That is unanimous. Thank you very much. And moving on now to Leslye Krutko for the five-year consolidated plan.

>> Leslye Krutko: Good afternoon, Leslye Krutko, director of housing, and I have with me Jessica Shiner who is our policy manager. I'm just going to introduce this and then hand it over to Jessica. We have come before you on the consolidated plan already once, this is another opportunity to come before the committee and I'll have Jessica tell you what the time line is and what it is we're doing today.

>> So we're going to keep this really brief. But basically, the five-year con plan is a plan of what we plan to do in the next five years and then integrated into that is an annual action plan that describes what we're going to do in terms of housing and community development over the next year. And so we're at the tail end of our whole kind of development and public comment period. As you may know, we -- this time around we did something a little bit different in that we worked with the other entitlement jurisdictions in the county, and Santa Clara County, to develop this consolidated plan, in order to start trying to plan on a regional basis which makes sense. And so in order to develop the plan we did a series of workshops, and now we're at the tail end of the required 30-day public comment period which has actually been more like 35 days. So we're coming to you today to just kind of get your comments, and also, we ask that you open up for public hearing, and this would be the last public hearing before the May 4th city council meeting in which you will vote on the final document. And then it has to go to HUD May 15th. That's it.

>> Councilmember Pyle: All right. That was short. Thank you.

>> The document's long but the comments are --

>> Councilmember Pyle: Short. Rose.

>> Councilmember Herrera: I'll hold off for a moment.

>> Councilmember Pyle: Ash.

>> Councilmember Kalra: No, no, no comment. I'm happy to -- do we have to formally open it? Make a public comment --

>> Leslye Krutko: I think you formally open it, ask if there's public comment and if there is --

>> Initial opening public comment, closing public comment.

>> Councilmember Pyle: Sam do you wish to speak to --

>> Councilmember Liccardo: No, this is just public comment. They hear enough from me. [ Laughter ]

>> Councilmember Liccardo: I'll keep my trap shut.

>> Councilmember Kalra: I think you have to formally open the public hearing formally.

>> Councilmember Pyle: This is the public --

>> This is one of the public hearings that the housing department has provided so that the public can make comments. The council will be considering the whole plan in the next month but this is one of the various comment periods for the public.

>> Councilmember Pyle: We do have one person that wishes to speak to that, and that is David Wall.

>> David Wall: I'm fundamentally opposed to any type of five year plans, period. I think that they're fairly asinine in their concept and design, especially nowadays, where the economic tides can change within one international incident, can destroy an economy. Whereas, a plan, a quarterly plan would be -- to be presented to you, for your, the public's review and input is appropriate. I think the allocation of resources for this type of five year plan is foolhardy. Thank you.

>> Councilmember Pyle: Thank you. There are other members of the audience wishing to speak to this matter?

>> Leslye Krutko: So --

>> You can close the milk hearing. And then --

>> Councilmember Pyle: Public meeting is closed.

>> Okay.

>> Leslye Krutko: I just wanted to also say that when we first came to council on this item, we also came along with the fair housing plan which is something that we're required also by HUD to do every five years. We're going to take that out of the discussion, for when we come back to you on May 4th. Does not need to be approved at this point in time. We were trying to do it in conjunction. But we've had some comments that have come in that mean that we need to spend a little bit more time on that plan. And since there's not a time line for that, then we're okay. Just to finalize, I mean, this action is necessary, in order for the city to receive tens of millions of dollars of federal funds. And just for the viewing public, we do come back every year with an annual plan so we're required by the federal government to do a five year plan and then we do an annual plan as well to update the five year plan.

>> Councilmember Pyle: Thank you. That's good to know. We're ready to move on, then. All right.

>> Councilmember Liccardo: Motion to close the hearing?

>> She just closed the hearing. The chair opened and closed the hearing.

>> Councilmember Pyle: And I don't need to get unanimous approval. I'm sorry, I just wasn't advised to do any of this. So you I apologize for my --

>> Leslye Krutko: Don't apologize, it is not typical for us to have a public hearing in front of the committee. Next time we'll have more detail.

>> Councilmember Herrera: Motion to approve the plan.

>> That's going to happen in May. The council will take full action on the plan in May. [simultaneous speech]

>> This is stuff they want us to do.

>> Councilmember Pyle: This is a constantly learning process. Yes. So Leslye's here again to talk to us about the status report on foreclosures.

>> Leslye Krutko: No, actually I'm going to do one right before unless I'm out of order here. I have one on the tax exemptions for affordable housing next.

>> Councilmember Pyle: Thank you.

>> Leslye Krutko: Okay. So on this particular topic, this is something that's come up several times or many times over the course of the last couple of years, the question of if council policy that exempts very low income housing from payment of certain construction taxes and fees. This suspension, as the report states, has been in place since the council created the housing department, and since the mayor's task force on housing report came out in 1988 that recommended that there be certain incentives that are given to housing that reaches the lowest income people in our population. And since that time, every five years we come back to the council and ask for continued exemption and each subsequent council has agreed to that suspension at each time that we've come forward. During the inclusionary discussion it was discussed again, the need to come back and look at this. The report goes through. It does detail the amount of what that tax exemption has been. It's a little over \$2,000 per

unit on average. And since -- in the past 20 years it's total just over \$20 million, the value of those exemptions. In the same time period, affordable housing has paid \$32 million in fees. So while it is exempt from some, it does pay other fees. And we did try to put it in a little bit of perspective, because sometimes it feels as though we're the only ones who get this exemption. But that's not true. The council, for various reasons, have given incentives to other kinds -- oh, thank you very much -- to other kinds of developments. And we give by way of example, the information that we could collect for four years, 2004-5 and 2007-8, I guess that's just two years -- there were 43 million -- or it is four years, I'm sorry -- it is for the period from 2004 through 2008. For those four years the city provided \$43 million in tax exemptions, of which \$5.5 million was for the very low income exemption. So it is -- it's not just affordable housing that does pay this fee. We wanted to make that point. However, we are -- we do have these exemptions, so it does cost the construction fund an amount of approximately \$2,000 per unit. One thing to point out at this point, we are just coming forward with this as an informational memo to council. This exemption does again expire in 2011. So at some point the council will need to either let the exemption expire or take action to continue it. We did make a decision not to make that recommendation at this time. It's really a difficult budget situation, we prefer not to add this into the mix of difficult decisions that needs to be made. But in the course of the next 14 months or so we either need to take action or we'll lose that benefit to affordable housing. So with that I'm ready for any questions or follow-up. Since this is an information report, we're asking you accept the report but if there are questions it would help us that you'd like us to come back with, we can do that.

>> Councilmember Pyle: Rose.

>> Councilmember Herrera: I just have a comment. I really appreciate the additional information you provided in comparison. I think that's really helpful. Thank you.

>> Councilmember Pyle: I just wanted to ask, how much of a percentage of our city population is in the affordable housing category or would qualify, rather?

>> Leslye Krutko: How many would qualify for very low income housing? That's a very good question. I don't want to overstate it. I don't know if our staff has that, just a few minutes and I'll have it for you.

>> Councilmember Pyle: Stain tuned. Sam.

>> Councilmember Liccardo: I guess a couple of questions I have, thank you, Madam Chair. Page 3, a really important question, after you recite the fact, \$21 million of suspension since '91. It says however the lost revenue from the fee suspension is more than compensated for by the fees collected by the city's development of other affordable housing units, most of which were integrated into the same projects and in the end received tax suspension. Could you elaborate on that?

>> Leslye Krutko: I think what it's saying is that as a project comes forward it's got various different income levels. So it may be that 30% of the units may be for very low and you know, 60% for low income et cetera, up to 100%. Those that are not very low income pay the fees. It's only those that are very low income that are exempt. So the project either would not have -- maybe would not have assisted those very low income people or may not have happened.

>> Councilmember Liccardo: And we're getting full freight for low income and moderate income already.

>> Leslye Krutko: Right, and many of our funding sources require that we reach down into the very low income category in order to access those funds and be competitive. So that's -- it's important for us to be able to provide that level of assistance.

>> Councilmember Liccardo: The other question I had related to the fees that are paid. I know that the standard planning fees are generally paid, traffic impact fees things of that nature as I understand it are also paid. I don't expect you guys to just be able to throw out the number but do you have a handle on the amount of fees that are paid routinely by affordable housing developers?

>> Leslye Krutko: Let me ask.

>> In addition to what is paid by the low income and moderate income?

>> Councilmember Liccardo: Are you looking at the chart on page 4?

>> Yes, so in addition to that amount?

>> Councilmember Liccardo: I was just trying to understand even these VLI units do pay -- I mean the developers still pay something right?

>> Leslye Krutko: Right, and they also pay planning fees and building fees and other things like that. We can come back with more comprehensive information on that.

>> Councilmember Liccardo: I'm not looking for anybody to do any more work than necessary. I just think it's helpful to have that in this context, the fact that there's a lot that's still getting paid. Thank you.

>> Leslye Krutko: I did have an answer as well to your question.

>> Councilmember Pyle: Thank you.

>> Leslye Krutko: It's 20% of the population.

>> Councilmember Pyle: That's 1 out of every 100 people. That's amazing. And then the other question I had a little belatedly is what is one person, what would have to be the income for one person to qualify for low income?

>> Leslye Krutko: A very good question. We always do it by the family -- a family of four.

>> Paul Krutko: We have a paragraph on the second paragraph on 2. Very low income combined to 42,000. Also four, 33 thousand --

>> Councilmember Pyle: Cut in half, 21?

>> Leslye Krutko: No, it wouldn't quite be cut in half but it's probably in the 30,000 range.

>> Councilmember Pyle: Thank you.

>> Paul Krutko: Madam Chair, the one thing I do want to highlight, this is a very comprehensive report, that does talk about where we have, for policy reasons, we have provided this kind of relief. The point I would make, would be remiss, the City Manager is probably going to tell me if I didn't mention this, if you look at page 3 under analysis, it does highlight what the collection of these fees pays for. And one of the things that we have to be mindful of is, and I think Councilmember Liccardo encountered this when he was looking to lead on some incentives for downtown leaseups, that you provide an incentive in one place, you are taking revenues from another. So one of the reasons we moved away for example on the suspension relative to industrial development was just that question, and it really, this is more of a macro comment I was going to make. As you take up envision 2040, we really need to think through how we're going to implement the infrastructure we need for that plan. Because you'll hear from transportation in a different presentation, the massive backlog we have in terms of infrastructure. While these taxing sources pay for that, that's not to say that our massive backlog can be dealt with, with the amount of money we're talking about here. It's just something that we're going to need to bring forward to you, and take up, because we won't be able to implement 2040, let alone secure the backlog if we don't figure out the sourcing structure to pay for infrastructure. I don't know about you guys, but my car is really shaking anymore as I'm driving around on these streets.

>> Leslye Krutko: And I would add to that, when we take durable amounts of funding to infrastructure surrounding our projects so we take to the streets in front and the intersections down the street. So we definitely are providing some of that infrastructure, which would not happen without the development. And but again here I am with a belated answer: \$37,100 for one person.

>> Councilmember Pyle: Thank you. Any other questions?

>> Councilmember Kalra: Thank you, Chair. And the number that you've given to the chair's question, that's for very low income, and that's not at the middle level. I know the question was for low income, but that's kind of the middle, assuming low, very low and there's low income.

>> Leslye Krutko: Right, yeah, the very low is what this exemption is for.

>> Councilmember Kalra: I really appreciate the depth of the report, in that it's not just the myopic, kind of just looking at money, how much money we're out of, or we're out, due to this type of program, but the overall view, councilmember Liccardo referred to it in terms of the amount we did get, the 31 -- close to 32 million that we did get, due to the increased building, but also the paragraph before that discusses programs that are at the state and even federal level, that we are eligible for that amounts to the millions of dollars, that we wouldn't be eligible for otherwise. I certainly think that that needs to be taken into account, in addition to the value of being able to provide an adequate stock of housing for all employment levels for residents of our city. But I appreciate you putting all that in there because sometimes it's very easy to just kind of look at one variable, and not really look at a cross-section of what kind of impact these types of programs have on the quality of life in our community. Thank you.

>> Councilmember Pyle: Questions? Seeing none, may I have a proposal?

>> Councilmember Liccardo: Motion to accept proposal.

>> Councilmember Pyle: Thank you. Second? All those in favor? That is approved unanimously. Thank you Leslye. And Jesse, too. All right we're ready to move on to the tax -- excuse me, sorry about that happen. This is the status report on foreclosures.

>> Good afternoon, council committee. Thank you very much for the opportunity to provide you a status report on the foreclosures in the city. I'm Wayne Chen with the housing department. With me are James Stagee who is managing our city's implementation of the federal neighborhood stabilization program, Marlene Santiago, who manages our foreclosure prevention one stop centers, and Mike Hannon with code enforcement who is leading the city's efforts in abating neglected vacant homes. I'll go ahead and provide some maps and statistics, but what we really wanted to do was highlight the positive effort that the city is doing to mitigate the impacts that the foreclosures are having on the communities and our families. Just a quick background. Foreclosures or the foreclosure process is composed of three separate stages. There is the notice of default stage, the second stage is the auction sale stage and the final stage called the real estate owned or bank owned stage is when the home actually gets repossessed and is what most people refer to as a foreclosure. I just wanted a quick refresher on that. We came from 2006 where the city had foreclosure filings scattered around the city. The following year we had a 290% increase in foreclosure filings. You can see there is beginning to be a concentration in the Eastside around the 101-680 junction. There's a 240% increase from 2008 over 2007 and we're up to about 14,000 foreclosure filings in the city. In 2009, we had another jump of about 20% of foreclosure filings. You can see really the concentration and the clustering of foreclosures, still in the Eastside but it has begun to spread. And it's been filling in in other pockets that traditionally have been fairly insulated from the issue. What we are seeing now is unemployment is one of the big contributors to the continued rate of foreclosures. Also last year, there has been a slight shift of where the foreclosure filings were taking place. The notice of default is always typically high because that is the first stage. Last year there was a big shift, you can see the auction sale, there were about 580 homes receiving an auction sale notice. In '09 there were over 3200 and it's really sort of flowing down, flowing down the chain. Really quickly in terms of time line how we got here. The housing market peaked in the fall of 07. By the fall of 07 beginning of 08 is where the current economic recession began. In the next year in '08 is when the federal government implemented the housing and economic recovery act which was then through the American recovery and reinvestment act and that continues through today. Taillight, in the beginning of '09, there was a state effort to attempt to prevent foreclosures from rising and furthering impact to the communities. Interspersed with 90 day moratoria, some banks taking some more proactive initiatives of having 90 day moratoria so you will see various efforts sort of along the way. So though are primarily the state and federal efforts to prevent foreclosures. What I'm going to go ahead and do is turn it over to Marlene who is going to be talking about the city's one stop center.

>> Thank you. As the addressed homeowners in our area have reached out to us to provide relief to calm their obvious fears of foreclosure and of the unknown the City of San José has stepped up and accepted that challenge and provided the community with resources that these homeowners desperately need to come out of the crisis by providing the foreclosure one stop center. The average client who submits a loan modification to their lender will submit a file that consists of at least 100 pages which typically will look like this particular file that I have here today. In our office, we will conduct screening with the homeowner, listening to their stories, and then again, packaging this file to send over to the HUD approved counseling agencies. In our office, we spend approximately two hours, with this client, and then as they move forward to the HUD approved counseling agency for further screening, they spend an additional five to six hours with that agency which includes educational counseling, workshop, and as well, litigating with their lender. Our studies show that the foreclosure help center has successfully helped approximately 14% of those who submitted loan modifications through our center, and have received approvals, and in turn, avoiding foreclosure. It wasn't for the short sightedness of the banks and unemployment our efforts would be a lot higher. All efforts will continue to be made through our aggressive outreach campaigns to allow those affected to remain in their homes. Thank you. Do you do you go do you want to go over some of the successes that the foreclosure center has seen?

>> Some of the challenges again as I stated would be the fact that there are many that are still dealing with the job loss in turn not being able to pay their mortgages. There has to be sufficient income to be able to get a loan modification through their lender. Some of the lenders continue to lose documents that clients submit to their lender. And that's one reason that we encourage them to work with HUD counselors, so that someone can oversee the file, document the file, and guide the client through the process. And if there's any questions I'd be happy to answer those too.

>> We've also had various successes at the one stop center we've had 30 approved loan modifications and while that's a handful Marlene has provided some detail about what sort of laborious process it is to actually have a successful loan modification. Oftentimes with a stack of 100 pages if you're losing one single sheet or it's missing one signature it can be sent towards the back of the line. And so that complexity in the system is what makes it so difficult in which takes a lot of resources. There's not a simple economy of scale where you can expand very effectively to provide that sort of loan modification assistance. So Marlene's done a fantastic job at the center. There have been also some successful legal recoveries and assistance in terms of a scam recovery, there has been plenty of that going on. Free rental assistance deposits returned and also some collaboration with the fair housing law organization to provide assistance that way. Marlene's already mentioned some of the bank performance issues and sort of the complexity of dealing with that so with that we'll turn it over to James to talk about our neighborhood stabilization programs.

>> Councilmember Pyle: Could we ask questions at that particular juncture for that speaker?

>> If you like, please.

>> Councilmember Pyle: My memory is not as long as it could be so I'd like to do it while I'm hot on the thought. Did you find Marlene that some of the problems were either misinformation or no information on the part of the foreclosed people, regarding loans and banks and -- in other words, was some of this -- let me tell you why I asked this. Because I just saw in some news commentary somewhere that there were people who were saying, well you know my mortgage equals the worth, it's gone down so much so we're going to foreclose. Was it used as a too many to avoid responsibility with those people not knowing that you know the Real Estate does come back up, and it is a good idea to stay in your home? It's a long question but hopefully you can --

>> Education is one of the clear reasons people foreclose. It's one of the silence things that people think may go away on its own. Not knowing their options, the HUD counselor who is trained letting them know what their options are, so they can make those decisions.

>> Councilmember Pyle: Oftentimes it seems like there ought to be up front information when people buy their home so there is not panic.

>> Unfortunately, when you purchase the home there's home buyer education but when you're already in the home there isn't that education that continues.

>> Councilmember Pyle: Not much, yeah. There we go.

>> You've just heard some of the things we're doing to help prevent foreclosure. Unfortunately we can't always prevent foreclosure. So what does that take us to, what does it look like when homes are foreclosed? I don't have to tell you what it looks in the community when you have a series of homes that are for sale or what one abandoned home can do to a neighborhood. One of the fortunate things, stem the tide a little bit and turn it around a little bit. We basically received our first pot of neighborhood stabilization program funds out of the 2008 housing and economic recovery act which Wayne had said earlier, the sell was out of the American recovery and reinvestment act. As an entitlement city we received \$5.6 million in formula grant. The NS2 program was actually a competitive grant that we submitted a application with the Santa Clara County housing trust. We were very fortunate, to receive any money at all we received \$25 million. Both of these programs are limited to specifically areas and the areas we are trying to address or limited to are really the areas that are the heaviest impacted by foreclosure. With NSP 1 we are limited to zip codes. With NSP 2 we are actually limited within 35 census tracts. The NSP 1 program actually has a very similar time line to NSP 2 as far as expenditure deadlines. We're looking at March of 2013 to have all of NSP 1 funds expended. With NSP 2 we are looking to have all of the funds expended by February 11th of 2013. So it's quite an aggressive program. The intent when the programs first came out is really get out in the neighborhood and have an immediate impact. Unfortunately, with these programs being new and very complicated it's taken us some time to get out and get the money into the community. You can see up on the slide that we have several basic requirements. As I mentioned we are limited to certain areas within the city. One of the other big requirements that's taken some time for us to kind of strategize about and figure out how we're going to spend it is the 20% set aside requirement. This is consistent with both NSP 1 and NSP 2. And it requires that 25% of both of these allocations must be used for households earning 50% or less of the area's median income and you can see it up there that that translates to about \$53,000 a year for a family of four. One of the other challenges that we've had which is a basic requirement is, unlike an investor who can go in and purchase a property and bid it to whatever dollar amount they want, through this program we're limited to purchasing properties at 1% below the market value. And this is actually improvement. When we were first allocated the first NSP allocation, that was 15%. So we're happy with 1% at this point. The way we've broken down the programs, we did have several different options of how we could utilize these funds. But looking at San José, and looking at what our situation was, we decided to go with basically three strategies. The first is a multifamily program, acquisition, rehabilitation and resale. And really this multifamily piece is where we're going to reach our 25% set aside goal. Generally those properties will be rental property. However, with NSP 2 we are looking to go out with a notice of funding application to see if there are other ideas out there, see if there are some nonprofits or even for-profit agencies that might be able to bring some projects possibly for sale. We've talked about habitat projects possibly, so we're really looking at reaching out and partnering with some nonprofits with that program. As far as the second strategy, we're looking at the single family program which is really the majority of what we're spending our NSP 1 money on and it's a big portion of our NSP 2 money and that's really kind of what we talk about and going into the neighborhoods and trying to really turn around the impact that the abandoned and foreclosed homes are having. So with this program we're going out into the community and purchasing single family homes, rehabilitating the homes, bringing them up to a nice healthy and safe standard, and then reselling those homes to families, families that meet the income requirements which are low and moderate income households. For a family of four, for example, that would be about \$126,000 a year for a family of four. So it's a little bit different than a lot of our other programs which are typically the lower income. But so far we've been pretty successful with that piece. And then the third which is really the down payment assistance program, is something that we're utilizing part of the NSP 2 funds for, and that is the piece that the housing trust of Santa Clara County will be administering. And then of course you see on there that we're fortunate enough to receive some administrative funds as well to help pay to get this out into the community. Here is a map of the four zip codes that we are working in, on NSP 1. As you can see, they're spread typically throughout the eastern part of San José and parts of the South. The next slide here is a little more colorful. This is the 35 census tracts and we do have a list of those because I don't think in this map you'll be able to read them off the map and see what they are. The difference between NSP 1 and NSP 2, geographically these areas are spread out throughout the city. So the reason we're targeting these areas, number one our application focused on as I said the heaviest impacted areas and at the time we submitted the application these were the areas that were heavily impacted. So now I just want to kind ever give you an update a little bit of where we're at with both of

these programs. NSP 1 as I mentioned we took -- it took us a little bit of time to get it up and running. One of the first things that we had to do was go out with a request for proposal. And we are working with with a development company, community rehabilitation partners, to go out with us and rehabilitate properties and turn around and help us sell that to our targeted residents. Currently we have 12 homes that we've purchased through NSP 1. On average we are spending about \$300,000 per home to acquire. Somewhere in the neighborhood of 100 to \$120,000 to rehabilitate. To date we have two homes that we have completed and we are actually under contract with buyers to move into those homes. So those are two very successful stories that we will continue to build on. As far as the multifamily piece for NSP 1 we've acquired two multifamily buildings in the round table neighborhood, Ash knows the area pretty well. Those will be rehabilitated and we will be going back out to the community to find a service provider that can utilize these facilities, these homes really, to help provide some type of services to either youth or senior. As I'd already mentioned we have pretty strict deadlines with NSP 2. But with the 12 homes and the two four-plexes that we've already purchased we've actually met our commitment level, so we're ahead of schedule in that regard. With NSP 2 as I mentioned earlier we're working with the Santa Clara County housing trust and council just approved the consortium agreement and we forwarded that to HUD so we are underway. We've been spending a lot of time coordinating gettes between the neighborhood housing trust, valley and the city. Currently we're targeting June of this year to fully implement the program. And again, we hope to -- we hope to work out some of the challenges with the 1% acquisition, because the NSP 2 goals are much much harder to reach than the NSP 1s because of the dollar amount. There's nothing like pictures to illustrate you know what we're doing out there. This is one of the first properties that we're actually under contract with the buyer for. As you can see, on the left, that was the before picture. Really doesn't look that bad, but we basically retrofitted the home so that it's homes and make sure that the families have you know, very, very limited amount of maintenance that's required. So that's the first of them. This is actually the inside of that same home. We've really worked with the developer to come up with very standard features to help reduce the cost of rehabilitating so there's really an economy of scale so to speak with the things that we're putting into the homes. This is another home. This is the second one that we have under contract. This is on Lewis Court. Again, it doesn't look as bad, I could show you some pictures of the backyard. The backyard was basically filled with trash. The inside of the house was completely demolished when we went in and purchased the property. So you can see on the right-hand side, the street view is much more pleasant for the neighbors to look at now. This is the inside of the same home in Lewis Court. As I mentioned we're putting in very similar features in the kitchens and baths and this is what they'll like afterwards. Mike will go ahead and take the code enforcement piece.

>> Thanks year and a half now. We actually began meeting with pact early on because this was a significant issue in terms of the community, because not only the victimization of the people that were losing their homes but more importantly to the neighborhood was the impact that these foreclosed, abandoned vacated homes this on the community. So unfortunately code enforcement gets evolved in these situations after the property owner already loses the property which is really tragic. Our efforts is to quickly minimize the impact that these vacant homes create on the community. It was this city council that actually authorized and subsidized the funding of two code enforcement officers through middle of 2009 for proactive code enforcement out there in the community. We were actually driving streets looking for vacant homes in the SNI and CDBG eligible neighborhoods looking for properties. Unfortunately that funding has run out so we have now shifted to a model that really asks the officer that works in the neighborhoods to really keep an eye on these properties. Because they really do stick out like a sore thumb. You see that you know four to six foot overgrown vegetation you start to see the refuse that is in the front yard and unfortunately people that are losing their home in foreclosure are generally leaving in the middle of the night. It's one of these sad situations where they get the notification, they wait until the last minute, they're unsure what to do and they realize the only thing I can do is vacate the house. They leave in a hurry and leave a lot of belongings behind and the community quickly becomes affected by that. That's when I say officers, be proactive when you see these properties, stop look and let's begin the process of immediately trying to abate the nuisance as a result of the vacancy of the home. But I'm also asking the residents to call code enforcement. Call the office when you see a property like this, don't wait for the bank to come in and secure it and put it on what we're seeing in code enforcement is banks are foreclosing on property owners without taking title. With the belief that if I don't take ownership of the property then I am not responsible for the upkeep of this property. I've told my officer the code 1738 of the municipal code specifically holds property owners or others that have an interest in the property responsible. So I've told my officers, even if the property is owned by Joe Smith and we know Joe Smith has lost the home in foreclosure, let's not waste time issuing being citations to Joe Smith. I want you to find out the bank, the property owner, and my expectation is they start getting that property cleaned up or i'm issuing them citations. I've told our no tolerance process continues. I'm not sympathetic to the banks and the lenders that

in my mind and the community's mind that created these conditions to begin with.. So that's been our approach to banks and lenders a no tolerance approach. Since we now do rely on the residents to notify us or code enforcements to do proactively as they see these conditions you can see that we have some pretty good results. We've done at least 255 inspections based on resident complaints. We're issued 55 citations, we've actually abated 20 properties we can be reimbursed for our cost. The only abatements that I'm essentially, securing of the structures. Blight is blight, whether the weeds are there today or in a month that doesn't create as much of a health and safety to the community as a vacant property where it's an attraction to trespassers. We're taking the cases to the appeals hearing board to give the boards authorization, the work we did was appropriate. We will continue to be aggressive in this approach. Vacant homes are a priority in code enforcement and we will have an officer once we receive a complaint on that property within 72 hours. As I speak of San José municipal code 1738, which is really the City's neglected amendments coming forward to council in may that's going to amend this ordinance to include commercial and industrial properties as well. As we see a downturn, a continued downturn in economy, we recognize that vacant properties and they do create a blight in some our most busy thoroughfares. So we're going to begin looking at requiring property owners of vacant commercial and industrial properties to maintain them similarly as we would expect a vacant other than of residential property. In addition, I'm pleased to announce that you'll see some specific standards focused on historic standards. We've lost some real historic structures over the last few years in San José so part of that ordinance modification will include some standards for historical structures so we can try to preserve and protect them moving forward so this is still a priority for code enforcement. We certainly welcome your input, we ask you to convey to your residents that this is a priority to call code enforcement, when they see a property that happens been vacated, even though it's not a blight today, to put it on our officer's screen to tour the neighborhood to see if that property's being maintained. Thanks for your attention.

>> Paul Krutko: To historic, will be looking forward to the conflicts on May 11th.

>> Councilmember Pyle: Thank you. That was a lot of information. I'm going to begin with Ash.

>> Councilmember Kalra: Thank you, Madam Chair and thank you all for the presentation and Mike I know that you and your staff have been overworked and understaffed and so I definitely appreciate the proactiveness and as I was indicating, 95111, it's the round table and the Edenvale community and included in those 35 census tracts includes the census tract I live in and a number of others that I know are scattered throughout east and South San José for most part. And so I definitely appreciate the efforts and the funding coming from the federal government, it looks like it has to be quickly used but looks like working with partners in the community we're finding ways to get to those in median very quickly. Additionally, in terms of the one stop, the 14% success rate, I would argue, unless it's incorporated in that 14% is probably higher because I think the way to engage in success is somewhat narrow if we're able to inform someone that would otherwise go to a scam artist and pay \$5,000, we're able to inform them that look you have to get out of this and there is no option for you, that prevents them from doing that I would consider that a success as well. I'm sure there are a number of people that probably came to you and you weren't able to help them stay in their home but maybe that was the only result that was going to happen and you may have prevented them from spending, some of them spent ten, 20, 30,000 repeatedly to trying to stay in their home two or three times to those scam artists. I would argue that that success rate is probably higher in educating people as the chair asked earlier education component, I think is the most important thing and then finally to the appropriate partners to help is critical. So it's a very challenging time. I've seen it before my eyes in my own neighborhood and in my own community, the impact of these buy-it homes and the foreclosed homes. I appreciate the collaborative effort to try to do something about it in a very challenging time.

>> Councilmember Pyle: Thank you. Other comments, questions? Rose.

>> Councilmember Herrera: Yes, I want to thank you. All the effort in your group, but I know I've worked with your staff out at pact meetings in my area. District 8 has 95122 as part of our area so we've certainly seen it and I appreciate you making lemonade out of very much a lemon situation. I have a few questions, because this is a very information rich report and I have been involved in this with the community. I'd be remiss if I didn't ask questions while I get the chance. I'm going to start with one on page 4 of the city social responsibility policy. Because as it says here council approved revisions to the city's policy. How have we communicated that, how do we know about this, how do we know about our policy that we setback then ?

>> Let me check Leslye or Jackie if you have any comment on that.

>> Jackie Morales Brand the finance director. We have been working on charge of ensuring that folks are informed. So while the housing provided some technical support it's the finance department that's actually implementing that. So we can certainly get that information back to you.

>> Councilmember Herrera: I would really like to know that in fact have been planning to formally ask that question because I think it's very important. The community was very happy that we did that but then how did we communicate that and what was the response? I think we definitely need to know that. In terms of code enforcement, I think that's -- what you've done out there in terms of making sure that these homes that are blighted are paid attention to and things are done and forcing owners to take responsibility is really great. It's unfortunate we can't still do this on a proactive basis but just out in the community this weekend I was out with some of the housing groups that are -- that were -- that are actually rehabbing homes, some of the nonprofits that are out rehabbing homes and we know -- my staff and I noticed homes there with gang graffiti on it that were obviously -- they looked like foreclosed homes that needed attention. And in thinking about that I think perhaps if we can work with our partners to create more of a network of nonprofits and others who when they're out in the community can notify you so we can create more of a proactive approach to notification of blight I think that might help. Because it's just hard and I looked and I noticed the neighborhood next door to this house who had neatly maintained flower beds and nice looking home, thought, would she know who to call? Would she feel comfortable to call? A lot of neighbors don't feel comfortable in making those calls. Not the whole neighborhood is a bad neighborhood, it's just this one house. As you know it can become a cancer. In terms of the -- just had a question in terms of NSP 2. Beautiful work you've done on those homes. I guess my question is, are we getting the most use out of those resources, because we're only able to work with only a few homes in terms of rehabbing? And being able to resell those? Would we be better off using that money in some other way to reach identity to more folks who are maybe not able to get into the home, more in a rental situation? Reason I asked that is one, it's a lot of money we can have that we can use, and the other thing is, the home sale rates, actually in 95222, a lot of these homes that have been foreclosed on are selling. they are selling for above did asking price. So I'm just wondering if that's where -- if that's the most critical area that we should be using since I don't know how many homeowners we actually can help. I see somebody she's stepping up to answer that.

>> Again, Jackie Morales from the housing department. Yes we are actually -- we are rethinking our strategy, this is the first time we had done such an aggressive acquisition rehab programs in terms looking at the foreclosed homes because we wanted to bring them up to a standard and we were actually competing with investors, we homes in the most poorest shape NSP 2 we were looking at the numbers. Asking ourselves the same questions are there other strategies that we should consider in order to spread more of the money out and perhaps looking at different housing types so while we focused on single family detached homes, purchase more at a lower purchase price so we are asking ourselves those questions.

>> Councilmember Herrera: I meant NSP 1. I think I said --

>> With NSP 1 we've exhausted our funds at this point.

>> Councilmember Herrera: I'm glad you're looking in that other direction. Another thing I wanted to say, a lot of people from pact meeting, certainly there were unsustainable loans they shouldn't have ever had those loans in the first place and investors that took advantage of the situation. But overall I think we're looking at a situation where banks real estate companies a lot of folks knew better and loaned the money to these folks and ultimately they really need to be held accountable and responsible for what's happened in our community. I think it's wrong to give people false hope that they can stay in these homes this they clearly, if it's an untenable loan situation, they don't have the income that certainly isn't something we should be doing. But he on the other hand, I think these banks should be stepping you up so I want to make sure the policy that we communicate on gets communicated to the banks i've heard that Bank of America is now going to do something about not only loan modification but forgiveness of principal and all I can say is it's about time. Because they've certainly been one of the companies all around that have been the least cooperative in these efforts to work with their mortgage holders. I hope they continue to do that. I'm wondering if PICO and pact had an impact on that. Perhaps their efforts have had some kind of an effort -- a response from them . Thank you.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: I had a question or two about the NSP 2 money. First we look at the census tracts and the distribution of I believe 35 census tracts that we're focusing the money. If we were to look at the same chart and pick the 35 poorest census tracts in the city, we wouldn't necessarily see a lot of correlation. We'd see some but not a lot. And so I'm wondering if the criteria that we use for census tracts, is that entirely regulated by federal regs? We have no discretion there?

>> It was under their policy of calculating the most highly impacted tracts, the tract scored automatically got factored into the application.

>> Councilmember Liccardo: Okay. With regard to the enhancements we see in the federal program since the announcement, do we have any discretion to be able to use NSP money for temporary assistance? And by that I mean, help folks pay off mortgage while Thayer unemployed?

>> I can get back to that. It kind of gets to Councilmember Herrera's question as well kind of reevaluating the use of the funds. One of the things that just recently came out was a definition change by HUD of what foreclosed and abandoned is. And what that definition change has done, as it's broadened or made our ability to go out and look at homes before they're actually owned by the banks. So there definitely are some new opportunities out there for us to look at. We have been looking at how we can possibly, you know, get into the homes and possibly help, you know, homeowners who may not be out of the homes at this point. So I think you've looked at the Boston model and other models and we're definitely looking at that as an option.

>> Councilmember Liccardo: Great. Because I know it's a whole lot in terms of leveraging scarce resources we can do a whole lot more with the family when they're in the home in terms of fixing up the house and the impact of that family in the community I'd like to do that while the family is still in the house.

>> Definitely. Louisiana the progress that's been made with the FHA refinancing for underwater mortgages, in terms of the incentives now that they're offering to be able to keep, to actually increase some cram-downs, are we involved in that directly, is that entirely a federal program run through -- I mean do we have any role in that? I'm specifically referring to page 5, if you look at paragraph 2a, about the incentives offered to lenders to write down principal amounts, is any of that going through the city? Is that all pretty much federal show?

>> Hi, it's all federal, it's not coming down from the city and I just wanted to make one clarification on your previous question regarding keeping families in homes. In NSP programs we still have to acquire the properties. So we can't let a person stay and make their mortgage payments and catch them up which apples seems like a reasonable alternative. Unfortunately this program isn't set up that way. Even though the definition changed we still have to acquire the home or at least another entity does and we can resell it back to the original home other than and that we find is a little more challenging.

>> Councilmember Liccardo: Regulations are still challenging enough for us not to be able to do that?

>> To do that.

>> Councilmember Liccardo: The change in the city's investment policy, we passed that two weeks ago, San Francisco Board of Supervisors passed an ordinance that was modeled on our ordinance. We are taking that to the association of Bay Area governments, hoping that that will create some momentum from municipalities statewide to start to push the envelope.

>> Councilmember Pyle: Thanks for being such a leader, Sam, that's great. I just wanted to ask a couple of things make sure I understand this properly. So there is approximately 90,000 people in the City of San José that lost their homes. When when I added up the figures that's what I got. Then on the state level about 587,000 people, that's a tremendous amount of homes that basically went toxic. So in reference to that, the bank regulations, it would seem, are a part of the problem, and just I think it was last week, there was a bill introduced in Congress to start the bank regulation. Are you familiar with that, Wayne?

>> I've been following it a little bit. A lot of the question is, centered on how do you define a bank that's too big to fail.

>> Councilmember Pyle: Yes.

>> There's still a lot of discussion about that going on. I think there's a lot of specifics that are still coming, perhaps maybe you have a specific question related to some of the discussions that --

>> Councilmember Pyle: No I just wondered if you did know. You're aware of the situation.

>> And there's definitely as has been mentioned there's plenty of responsibility to go around. The homeowner who knowingly took on too many -- too big of a loan, the banks who are the ultimate gatekeepers of the capital who knowingly gave out the loans who knowingly wanted to take it but there are also others who were -- it's a complicated process and during the process, it can be very confusing and some homeowners were taken advantage as well. There's clearly all sides there's responsibility involved.

>> Councilmember Pyle: But the bottom line is there wasn't enough oversight, in any case, the Realtors, the banks, all the way down the line. So I hope that we do get that regulation. And had the -- wouldn't it have been better if the banks had said, you can rent, until we get stabilized or until the situation is stabilized? I mean there is a lot they could have done to prevent the effect on owners, neighbors, neighborhoods, the economy. I mean this whole thing turned into a bomb, ready to go off. So that's the only thing I have. I hope that out of all of this, and I think you've done a magnificent job of trying to turn this into something that's workable. I hope we all get behind -- I can't even remember who introduced that at this point. I know it was a female.

>> John Weis: She's from Arkansas.

>> Councilmember Pyle: Senator Lincoln, Blanche Lincoln. Wherever she was from.

>> Somewhere there.

>> Councilmember Pyle: And with that I think we're ready to have David Wall speak about the foreclosure help program. Unless you had other questions. Did you?

>> Councilmember Herrera: No.

>> David Wall: You're not going to like what I'm going to say. There is a whole program from the federal level down to the state, down to the municipal level, has been a complete abject failure. It's almost designed to fail. The money will run out. First of all, it is borrowed money. We print money, we borrow it from foreign countries to bail out people who have no sense of self-responsibility. And politicians want to waive that sense of self-responsibility and create an entitlement program, entitlement program to either live in California, to live in the City of San José. You're entitled to have a house. No, you're not. You have to become self sufficient and earn your way through life. Life is unfair. I did not make these rules. Now, what this program, what these foreclosures do is paren the city, because we have in my opinion a top flight law firm probably the best in the state to go after these foreclosed properties under a nuisance theory with fund constructs designed specifically for code enforcement, the attorney's office, the real estate division, Public Works, and the overhead structure required to maintain and integrate these activities. This will cause an indirect attack on the financial institutions. The flowery talk about regulations this and going after this, this will never happen. But utilizing our very powerful office of the City Attorney to go after these properties on a nuisance theory, and then, if you really want us to have them singing aCapella, use eminent domain to acquire these properties. Putting people in there that shouldn't be there in the first place I'm not sympathetic these properties in my opinion should be acquired by the city and just flattened and let investors come in or the free market come in which this country somehow has lost its way, and has gone down the path, and dare I say the word, the communist path. That's enough. I'm sorry, I'll give myself a self-admonishment.

>> Councilmember Pyle: Thank you, David. Do I have a motion to approve the report?

>> Councilmember Herrera: Motion to approve.

>> Second.

>> Councilmember Pyle: All in favor, aye, approved unanimously. Thank you very much. A very good report. With that we're ready for the open forum. And guess who's going to speak. David.

>> David Wall: With this part of the program, we bring you the water pollution control plant. This card was sent unaddressed to my residence. It's entitled, what would you do with 2600 acres along the southern San Francisco Bay? Use of my sewer service and use charge I particularly think this is far afield. But the one thing that this place is really good for, the only thing because of all the pipes, the plumbing that are underneath there, is for sustainable agriculture. And how long have I been beating are that drum? Now, food is an integral part of the economy. Because people had sustainable food sources at reasonable prices, they'd be spending their money somewhere else. The other thing I want to talk about is I am not sympathetic or will support any shenanigans by the council to reduce your salary. You almost put yourself in the hospital, chairman Pyle or chairwoman Pyle because of this business with the Ireland folks. You take too much grief, you work ungodly hours, no. That's not how you do it. Well, how you do it is to make steps and say hey, there's certain sectors of government that have to go away. And cut those things in their entirety. There's only several entities that you need to run a city in my opinion. The office of the City Attorney, the office of the auditors, the police and fire department with all their corresponding support staffs, and the computer people. Everything else is expendable in its entirety. You have no money. It is only going to get worse. And what really bothers me, is it seems that I'm the only one that seems to integrate international economies with national economies here in the United States, with state and local economies, and I'm telling you, it's going to collapse. But that's enough, nice picture, though, taxpayers expense.

>> Councilmember Pyle: Thank you, David. With that we are adjourned.