

The following transcript is provided for your convenience, but does not represent the official record of this meeting. The transcript is provided by the firm that provides closed captioning services to the City. Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

San José Community and Economic Development Committee meeting. (no audio)

>> Paul Krutko: ...to have some quality time in our office, which we might like. We have three items. The airport item, number 3.2, I'm going to suggest we go out of order, and perhaps start with 3.4. The airport didn't have their presentation on the computer, and they're getting it right now and will bring it in. So if we could go with Joe's first presentation, the quarterly update of the development process. And we'll be on our way.

>> Councilmember Pyle: And Joe is ready to go. So with that, I have a motion to approve the amendment of the --

>> Councilmember Herrera: Motion to approve.

>> Councilmember Pyle: -- the agenda? All in favor? [ayes]

>> Councilmember Pyle: That is done, unanimously. Joe.

>> Joe Horwedel: Thank you. For our quarterly update, we did want to go through and share with the committee the first results coming out of our customer survey, looking at 2008 and the development services customer survey. This is the third year that we have conducted this survey. We talked to about a thousand of our customers. There we go. And for the sort of statistical wonks in the room, you can see in the margins of error, we go through and calculate, we go through and look at to make sure we have a good cross section of all the different types of our customers to make sure they're fairly represented and so we have confidence in the results coming out of those. I'll remind the committee, the purpose that we did this was really twofold. One that we wanted to go through and really find out what the full spectrum of customers had to say about the development services world. And we used this for doing our work plans for the year. We'll talk about that in a little bit. The other part was to go through and deal with some of the challenges of the stories that we all hear. I hear them, you hear them. That -- you know, where something didn't go well. And so we wanted to go through and see how were we really doing overall, of all the services that we do. Back in the boom days, we were going through and doing tens of thousands of inspections a day -- a week, I'm sorry, that we were going through and doing several thousand development permits a year, as it were a high volume operation, and we know we're not perfect. So we wanted to put -- to be able to see how we were doing. So with this year 3, we were very happy to see -- and it's always the scary part of doing this survey is what the customers do have to say, is that for the second year we did see measurable improvement in our development process. The statistically relevant or significant changes, not just 1 or 2%, but where we saw real movement going on, 11 of the 12 areas that we were measuring went up.

We did have one that went down. And alos, the areas where we had improvement from last year, that we were able to hang onto those. So we weren't trading off improvement between different areas of our business. I'll point out that the one area that we had some challenges about our services was actually around fees. And so we went back and dug through the data some more and talked to the consultant about why customers were concerned about how the -- we were doing on fees, and that's related to clarifying standardizing and reducing fees. 15% of our customers felt we should do more to clarify our fees, help explain it. 15% on standardizing, we have a very complicated fee methodology, and it is -- sometimes you do need to be a rocket scientist to figure it out. But not surprisingly, 70% of our customers wanted us to reduce the fees. And so that is something that we take very seriously. It is something that in working with our partners at the chamber of commerce, and we really do use the board of directors to get our work plan and fee increases, we have been very mindful abotu to make sure we're cost competitive. And our service fees are at 100% cost recovery, and more importantly, it's unlike a number of the cities around us, we do have a tax structure that does put on the building permits costs that, for certain projects, can add up pretty quickly. And so that is part of the full kind of puzzle that we deal with when we go through and are issuing building permits for our customers. But it is maintaining our cost recovery so we don't subsidize one with the other, we work really hard at. But the other part is, we know we can't just raise fees to cover whatever our costs are. We work really hard in keeping the cost of our service delivery down, too. Next. The strength that our customers talked about was the staff itself, and you heard us talk many times about the quality of the staff that we have working in the organization. A very knowledgeable group that we go toe to toe with, I think, anybody else around, that we make a lot of effort at customer service, and we're continuing to work on those pieces of it. And we'll talk some more about that. But by and large, the customers, they recognize that we're in a regulatory role, and that we're working really hard on coming and leaving the attitude at the street that we're trying to help, that dealing with courteousness and helpfulness, so we've got a good starting point there. That the

customers are pleased with the accessibility and information generally with staff, but we do have some pieces to work there. And then staff is generally responsive to the needs of customers, whether it's for schedule information, helping sort out where to go. The areas for improvement, communication is one that we just cannot do enough with. Even with technology like e-mail, in some ways it actually is worse, because it becomes a crutch, instead of the face to face communication. So we are reworking some of our areas to improve and do more face to face interaction. Consistency, as you can see, bigger challenges seem to be as we go through and actually get out into the field, of continuing to go through and match up with what happens through plan check and then ultimately what gets built that didn't show up on the plans. Tradeoff between staff, and we've run into that a lot this year, as we dealt with layoffs in the beginning of the year and rotated a large number of staff, it is something that is continual challenge. Owning mistakes and how to fix those. The customers are looking for us to do more around that, and that is something that we have been talking a lot more with staff about, that if we made the mistake, then we really need to step up and figure out how to unwind this. And then just timeliness. Time is money, and you'll hear that over and over. And especially now, where deals are tougher to come by, where we're able to offer timeliness, it's been a good selling point. Our special programs where we're doing plan check across the counter is one that has allowed us to go and steal some tenants that other cities were going after. It's made us very competitive. We have continued to streamline our process and looking for places to make sure that the entitlement process matches the scope of the projects, getting rid of public hearings in some place where really we don't have community interested in those issues. So we've tried to really strike that balance of process versus being able to get on with it. So in conclusion, we are in a regulatory role. Our customers overall think that we're doing generally okay with that, that we've got a really strong foundation of staffing in delivering the services. We do need to focus on specific processes, and that's part of what we do through our mini CSA, that we do for our development process partners, is to put together our work plan for that, something we do with the chamber. We just met with them Thursday to go through our matrix of process streamlining ideas to make sure that we're focusing on things that are important to our customers. Setting targets for our key measures, and I think you'll find that we measure a tremendous amount in development processes. And it kind of -- the hope is to get the rest of the organization operating at the same level so that you know what you're buying, is that we really take that seriously. And the partnership that we have struck with our customers is one that has made us better, that it really helps us focus with our staff on the things that are frustrating to customers and have a really low payoff, and that also helped us go through and take some -- be braver on some things and advocating for some streamline changes that otherwise we would not have moved forward with. So one, that I think it's been a good partnership and we're looking to continuing that.

>> Councilmember Pyle: Great. I'm sure we have questions. Ash.

>> Councilmember Kalra: Thank you. Thanks, Joe, for the presentation. And it doesn't surprise me to see the positive numbers in terms of customer satisfaction, just based in my experience, the Planning Commission, in working with a lot of the staff, and not just during the commission meetings, but oftentimes when I would go to public meetings and just observe and listen, and certainly very -- would present themselves in a very competent, professional manner, but also very knowledgeable on the issue of being able to convey that knowledge to the public. I do agree, in looking in efficiencies, sometimes there would be meetings where I'd be the only person there other than staff, or the developer, and so on. So I'm sure there are some situations where that occurs, where when it comes to public meetings, people do show up. And so trying to figure out how to, you know, get to those people sometimes I think can be a challenge. But continuing to work on that I think is certainly one area where we can all agree would improve in our efficiencies. In terms of the current economic situation we're in, and the positions that have been lost, and any impending potential positions going forward, how do you think that will affect, or has already affected, or may affect in terms of customer service and our ability to be responsive and attentive while the planners do their core service of addressing the applications?

>> Joe Horwedel: I think, looking at it from two different sides, one is that for the preapplication work that we do, that's probably where you see the greatest contraction of our service delivery happening. Is that we really depended on our fee reserves that we had to be able to provide some premium service there for customers that were not paying for anything. So we spent a lot of time helping people figure out if they wanted to do something, or how to do things. Once they got into the process, we were able to go through and deliver service. We scaled back in the service delivery side, once an application's filed, because there's less applications. So that's a pretty direct relationship, having projects, needing staff to do projects. It's been the front counter side, so as you go by today on the second floor between the curved walkway, you notice that the second floor is walk. And that is as we

consolidated the two counters into the first floor, as a way to reduce our cost, just the activities dropped down. But also, we really depended on a much larger fee program to carry that overhead. And as the fee program shrank, that became a much larger share. So we've scaled back our hours that we're available, the depth of staff that's available to answer questions. I think that's where the greatest kind of impact has been to the customer.

>> Councilmember Kalra: As do you -- as you mentioned, part of that is just a contraction also in the number of applications. But do you feel that there's going to be a dramatic impact on the customer service side in terms of their surveys and so on, or do you think that you'll still be able to maintain, once an application gets through, maintain the high quality of service?

>> Joe Horwedel: I think once the application is in, as we've told the industry, that our time commitments, we think we can still meet those. There are some that we will see drop from what people experience today, like next-day inspections, we've been at almost 100% for months now, because I have a lot of extra inspectors. But it's one that we know, come August, as we contract down in that world, we'll be back to our normal targets, about 80%, which is what people are willing to pay for. It's more -- it's going to be things like hold time, when somebody calls up and wants to find out what the zoning is on a property, or talk to a building inspector or plan checker on just a general question, that the time for us to get back to them is getting longer already, and we know that that will get worse. So we are looking at recalibrating how we run our counters, doing less appointments, more walk-ins that allow us to be more efficient with kind of just putting the -- you know, customers lined up, unfortunately, but it allows us to serve a lot more of them with less staff.

>> Councilmember Kalra: And then finally, on the time limits issue, as a generic statement, does it avoid things that cause delays, as you referred to it, is there anything specifically that you can see now, that in kind of doing a self-audit of the system, that you can see, okay, you know what, these are certain areas that cause more delays than others, or is it just going to have to be kind of a process, a slow, more detailed process of just seeing how you can shave off a little bit of time here and there?

>> Joe Horwedel: It is a never-ending process. I really talk about Silicon Valley, you know, just kind of continual reinvention and creative destruction. That's how we've approached the process. So whether it's, you know, looking at how we refine projects and taking a half day out from that, to on the back end of how we schedule the community meetings and public hearings. It's just we're looking at every step of the process through the plan check process, the inspection process, are there things that we can have just one person look at several things, instead of sending two staff out to look at. So we're looking at really every piece of the process on an ongoing basis.

>> Councilmember Kalra: Okay. So there's no one glaring issue, it's more of just streamlining at every stage of the process?

>> Joe Horwedel: It's just you know every day just look at it, if there's something that we learn from something else that we can apply here.

>> Councilmember Kalra: Thank you.

>> Councilmember Herrera: Thank you, Nancy. Thank you, Joe, for the report. I had a few questions. How were the 1008 customers selected. Can you give us -- give me an idea?

>> Joe Horwedel: Staff does not select them. We provide to the survey company a list of all our unique customers. And last year, it was over 5,000 unique customers. We give them the contact information, then the type of applications the customer processed through the city, and then they do a random pulling out from that, to maintain the statistical relevance of that. And then they also look at balancing that by different types so you'll see a lot more of customer surveys for the building permits/fire permit side, as opposed to the Public Works planning, just because the volume that we deal with between those is not balanced. We do a lot more single family houses. So there's a lot more customers in building doing remodel and those kinds of things. But we -- the city has no information who was talked to. That's all maintained -- that's how we're ensuring the privacy, confidentiality of everything that's said. I just know what comes out in the final report.

>> Councilmember Herrera: So it's random. I was wondering about the questions that were asked. Is it possible that -- I would like to see that. If someone could make that available, send that over.

>> Joe Horwedel: We can get you a copy. We have -- we publish in the report the full survey with the breakouts. And so as we're just getting ready to finish up this year's report, we'll stick it back up on the Website, but we can get you a hard copy.

>> Councilmember Herrera: Great. I've also met with chamber of commerce a number of times and heard suggestions, concerns regarding the process of dealing with planning. And a few more questions here. You mentioned that there were -- there was a lack of understanding at times about why fees were charge or how those -- about fee charges.

>> Joe Horwedel: Clarification, standardization.

>> Councilmember Herrera: Where would that be in areas to improve? Was that considered an area to improve?

>> Joe Horwedel: It was. For the -- out of the top ten suggestions that came out from the discretionary, the planning and Public Works part of our business, that was the number 3 unsolicited comment that came out, was that one, after improving online access and in the responsiveness and attentiveness. For our building permit customers, that was the number 1 comment that came up.

>> Councilmember Herrera: I guess because I'm not seeing it in the written report that you gave, I would like to see -- I mean, I heard you discuss it, but I'm not seeing it in writing, and I think that's informative, and it's interesting that those things were brought up. So I'd like to see that in writing a little bit and see that as part -- defined out as part of the area that you're going to work on. You know, it's kind of a general thing here, but I'm very interested in how, since we're serving, we're getting statistical analysis. Then what areas are we going to be targeting to improve.

>> Joe Horwedel: Right. And as we said, that's one of the challenges, where 70% of the customers said they wanted lower fees. A number of other cities are not full cost recovery, they use their general fund to fund the development process, especially in the building permit side. So homeowners are not paying the full cost of that service.

>> Councilmember Herrera: Right.

>> Joe Horwedel: As well as the construction tax fees. And so it's kind of at the end of the day, you know, my world is my world, I am a -- development services really is a business. It's a not-for-profit business, but it is a business. So if I'm not paying for -- you know, the customer's not paying for that service, then usually I'm coming back to the General Fund to ask.

>> Paul Krutko: Madam Chair, if I could also -- one of the things I do know having worked with Joe over the last eight years is that there also is a place where many policy determinations come to roost, in terms of turning to asking for somebody for a check. So there is the cost that Joe is charging for what he's doing, and then there is the fees that have been policy choices. And I guess I would be curious in this mix of folks who were commenting about fees, if there was any -- and you may not have this yet -- if there's anything way of distinguishing between that.

>> Joe Horwedel: Other than what we saw from -- the overall level we got back from the consultant, was 70% was tied to just the amount of cost. I don't know if that 70% holds for the building permit customer versus the planning customer, is it the same or not. That is one of the things we want to go --

>> Paul Krutko: And Joe, one more thing for the committee. When will we have the next cost of development survey?

>> Joe Horwedel: The next cost of development survey page?

>> We anticipate having -- publishing it next month, in June, for fiscal year '08-'09, so we have the response back. We are just finishing compiling that.

>> Paul Krutko: We should probably schedule that for fall for the committee to see, would that be appropriate?

>> Joe Horwedel: Yes.

>> Paul Krutko: For the councilmembers who have joined the council recently, we do a survey for, what is it, four or five different prototypical development types, Joe? I forget now.

>> Joe Horwedel: Five or six.

>> Paul Krutko: We do a direct comparison to our surrounding competitors and others. It does break it out against what our actual costs are versus the policy fee portion of the charge. So it's really enlightening to see that information, because you get what Joe is talking about, where some communities provide General Fund subsidy, their overall fee package is less or more in certain areas. So you see the differences the policy makers make in this area. So we'll bring that in the fall.

>> Councilmember Herrera: I think that would be very informative. But I would also like to have more details just on the feedback that happened in this survey from the customers related to fees, and how that did break out, whether it was planning customers, fee customers, or the nonfee customers, and just what their suggestions were. I'm just intrigued about how we can improve this. And so I'm just saying this in the spirit of having come from the private sector, and looked at quality improvement and how we get feedback from customers, and then how we quantify that and how we set goals to try to achieve, you know, to try to improve. So I have a few more questions. In the areas that we're talking about improve timeliness, accountability, what are our -- what kind of goals are we going to set for that, in terms of actual hard numbers?

>> Joe Horwedel: Well, as part of the timeliness, we do measure our cycle times for a number of pieces of the process. One of the projects that we're working on is what we're calling the chess clock, which is actually looking at not the -- today we measure total time in the process. But it is actually measuring the amount of time that our staff take to respond. So that when a set of revised plans come in, if our target is two weeks, do we do it in less than two weeks, do we do it in more than two weeks. And we have a target to do that 85% of the time, that's our goals. Right now, it's really hard to measure some of those nuts and bolts pieces. So that's the problem we're working on right now, is building the accountability measures. It's really seeing, are there places in the process, if I have three of the partners that could hit the target, and the fourth partner didn't deliver, really we all failed. So that's a part that we're looking at, is how we go through and make sure that our service delivery's balanced between planning, building, fire and Public Works, that we all need to be running astride. We also then are looking what's going on within the respective teams. And one of the things we did a couple of years ago in building was to go to really a time and materials type accounting of -- for fees and costs. We're slowly doing that through the other parts of the organization. Public Works is doing a major reorganization of their cost center right now, that that is giving us a really good tool to look at productivity. You know, how are we doing with cycle times, how much time is it taking to get a given task done. How does that compare kind of across the norm. So that if a single-family house remodel should take three hours, you know, are we consistently doing it in three hours, or are there cases where it's taking five hours? And that's now allowing us to go back and look at why is it that it's doing it, why is it that it took three cycles of review for that set of plans to get out and be approved. And that's part of the accountability piece, is for our staff. But it's also for the customer. As we go through and we're refining projects that have fallen off the rails, is that we're doing more and more of bring the owner in with the manager from the city, to sit down with the project staff and the design professional that's working on it and sit down in a room together. So it's not everybody pointing to the left of what the problem is. So it's that accountability from that end of it, it's what needs to get done, who's responsible, and let's make sure it gets done.

>> Councilmember Herrera: And is it reasonable in some these to have -- to be able to set time frames and publish those to customers to give customers an expectations, then, a service level kind of expectation and how long things should take?

>> Joe Horwedel: We've done that for a number of years. That's something that -- that's how we really measure what type of service we want. Because the analogy I would use, when Paul and I first really started at this about eight years ago, how I would characterize it is, you had customers that wanted a champagne buffet, but wanted to go through and kind of pay the Home Town Buffet -- to slight to anyone -- pricing.

>> Councilmember Herrera: Champagne on a beer budget.

>> Joe Horwedel: Yeah. And so what we really sat down with, and my predecessor spent a lot of time on this and dealt with in San Diego, was to go through and really match up, what is it that you want as a customers? Here's what it would cost to that. So then there's a consequence for choice. There is not enough of that that goes on in this organization about we want something, but what does it really cost? And if you're not willing to pay that cost, what else can we work on to kind of balance that out? And so I think we've really moved ahead of -- in putting choice and consequence, so that it's a better shopper that's coming and getting our services, and we're a lot sharper in how we deliver that service. Because now I have building inspectors that go through and say, we can't afford to have a \$200 water heater permit, because a customer is not going to come get one. We never would have had that conversation before if we hadn't stopped to talk about cost of delivery of our services, and then what does that service delivery even look like? So I think as we go through and do a lot more work with the customers, we're helping them be better shoppers, and they're helping us be a better merchant.

>> Councilmember Herrera: Thank you. And I guess the last thing I've been thinking about, I raised it at council session a week or two ago. Is there any way, since we have seen a dropoff on the business side of things, is there any way to incent more business, in terms of any kind of incentive we could offer businesses to bring forth projects that would bring in more business to our planning side? Either on the low end or the high end? I mean --

>> Joe Horwedel: I think -- there's incentives, I think it's where you get back to, is the incentive worth what you get in return out of it? Because there's a lot of product that we were working on two years ago, that is not coming back for five or ten years. It's not my fees that's setting that. It's, you know, they can't even -- if you gave them the land for free, couldn't afford to build the building anymore, so --

>> Councilmember Herrera: What about remodels? What about people that might be thinking about doing something with their house, and otherwise wouldn't do it, but maybe if there was some sort of incentive, they would?

>> Joe Horwedel: I think that's where you start looking at what is -- why -- what is the cost for us to deliver service, and are there things in that cost structure that are a disincentive? The taxes, unfortunately, are one of those things that is a disincentive. The cost for us to send an inspector out is -- we are expensive. So to the extent that I'm not paying for that with -- by that customer, that means either some other customer's paying for it, which there's other customers that like to litigate over that, or I've got to go to another source offunds for that, and that's the challenge of how do I pay for that.

>> Paul Krutko: So in the past recession we,- and I think I responded a bit to your question at council -- the outcome of the last recession we did look at deferring some fees. We looked at not charging some tax. And the impact of that was, the one we chose was the one that impacts pay --

>> Joe Horwedel: Capital budget.

>> Paul Krutko: Capital -- will pay the maintenance, and we did that for a period of time. And just prior to this recession beginning, we took that down. You recall we did that last spring. So we're in the midst of studying what would be good choices to bring to the council for your consideration. I think the area that I'm mostly focused on, and thinking about this with Joe and his team, is which of those incentives would have the ability for us to generate a long-term revenue stream. And to look at those kinds of incentives where we might give up a little bit of money in the first year, or the second year, to then get a stream and particularly looking at the streams that we really benefit from which is really the sales tax side. So those would be the kinds of things that I think when you come back from break, you know, we get working on the budget process, we will present some of those to you that you could rationally make an argument about. I know a number of you have heard my old zero times zero still

equals zero kind of notion. So to the degree that we get 50 cents of a return in the first year for something we normally get a dollar, but we're actually getting somebody to do something, we are just getting 50 cents that we wouldn't get before. That's sort of the notion. We'll be talking with the mayor's office about some of those ideas for when you come back after break.

>> Councilmember Herrera: And Paul, that's kind of what I'm thinking, is if we can come up with some projects that would, you know, we give a break in the short term, but really see some long-term benefit, and helps move our economy and put people to work.

>> Joe Horwedel: Retail side is --

>> Councilmember Herrera: We know construction workers aren't working right now. So we're just looking at that. Thank you.

>> Mayor Reed: Sam.

>> Councilmember Liccardo: Thank you, Madam Chair. Joe, a question I know you've heard from me before, so I apologize for sounding like a broken record. It's been at least two or three times. When can we get the chess clock up and running?

>> Joe Horwedel: That is a really good question. I have been frustrated that we don't have it up running yet. One of the things we've found as we have gone starting to run it is that we found that some of the data that was in the permitting system was really incomplete, and it just created a bunch of kind of garbage. So we've been spending a lot of time getting the actual ongoing transactions better logged in. So that's one of the things that now that we've gotten that under our belt for a couple of months now, to see if it actually runs better this time. So it is something that I have on my top-five list for technology improvements that we're working on. It's one that I've got I.T. staff working on. I've got internal staff working on. So it is a priority for us to get it done.

>> Councilmember Liccardo: So we're in the middle of the beta test now?

>> Joe Horwedel: Yes, I think we're even -- whatever comes after beta.

>> Councilmember Liccardo: I'm not good at Greek. Okay, thanks, Joe.

>> Councilmember Pyle: And I'd like to say, I heard some phrases today that make me feel good. The fact that you are doing more face to face, I think that's absolutely awesome. You're out into the field, taking a look at what's out there. Stepping up to mistakes, which I think is something that -- that's not always an easy thing to do. So I appreciate the fact that you're doing that. And you're reversing the problem before it becomes absolutely monumental and very costly. And the idea that you are thinking in terms of a partnership with the customer, and coming up with options for cost factors. You know, do you want plan A or plan B, this will cost you so much. And then using the -- whatever fee reserves that we can build up to help those that just can't do the whole thing otherwise. So I'd like to end that on a positive note and say that I think what I've heard tells me that you're certainly on the right track. This is a good time for retrospection, and sounds to me like you're doing that, and I, for one, appreciate it. Are there any members of the public that wish to speak on this subject? Seeing none, I'm waiting for a motion to approve the report.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All in favor. [ayes]

>> Councilmember Pyle: That's a unanimous vote. So with that, Leslye, I thought maybe we'd start with what was number 1, which is aviation. Or is that problematic?

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

>> Councilmember Pyle: Oh, you have a conflict?

>> Paul Krutko: Yeah.

>> Councilmember Pyle: Well, come on in. Sorry, Ed. Are you okay? Welcome.

>> Leslye Krutko: Thank you, Madam Chair. Leslye Krutko, director of housing, and I have with me Wayne Chen, who is our policy manager and is working on this project. He is going to help me fill in some of the technical details. The first thing I should say about this is that this is an extremely difficult topic. It's actually one of the more interesting policy discussions you can have, and we've had many such discussions in our offices as we've prepared for this session. But -- so what we have decided is that we're not coming forward to you at this point with any kind of recommendation, but rather, coming forward with a discussion, more education, what is the dispersion policy and some of the areas that we think we need to look at as we go forward and evaluate dispersion. So why are we here? The City's five-year housing investment plan had recommended that we review the effectiveness of the dispersion policy, and particularly there was concern about looking at social integration versus dispersion. So the question of whether or not it was important to disperse, as opposed to important just to ensure social integration. So that's one piece. Secondly, as we move forward with the general plan update, this is an issue and it certainly has become an issue as we have been looking at certain projects through -- that have been coming forward to council. But we think -- we want to make sure that there's an alignment between the GP update process and the dispersion policy. Third, during the citywide, the inclusionary ordinance discussion, one of the issues discussed there was a concern when projects did not meet their inclusionary requirement on site. That -- and if they opted to build an offsite development with a nonprofit or by themselves, to meet their obligation, there was a concern that if it was not nearby, that they may all build in a certain part of town. And so the City had -- staff had recommended that we require that that -- those units be built in the same planning area or an adjacent planning area. What was eventually approved was the placement of that project be based on the City's dispersion policy. So that's what makes this important, as well, and we'll go through that, what that means. What I'll go through is the background of the policy itself, the history of growth in San José and some of what we've identified as key issues. So what is the dispersion policy? It was developed in 1989, when the council created the housing department as part of the mayor's task force on housing and it did four things. It applies only to housing that is assisted directly by the City. So not any affordable housing that doesn't have city assistance. It applies only to low, very low and extremely low income developments, not to moderate income housing. It is crafted as a positive statement, so although sometimes we talk about not wanting concentrations of affordable housing, it is a positive statements that says that the City encourages affordable housing development throughout the city, and no one area of the city is off limits to the construction of affordable housing. But at the same time, it recognizes that there are some areas of the city that are more impacted than others. And so it does identify census tracts where there's over 50% of the residents who have lower incomes, and in those cases, we want to evaluate that more closely than we otherwise would. So we need to look when we are landing in what is called an impacted census tract. And I should say that is based on the latest census. So in our case it's the 2000 census we're using. We would look at proximity to other city assisted developments. Whether or not it contributed to neighborhood improvement or revitalization. And the existing income mix and whether or not this project was additive to that. So our experience has been that 78% of all housing that's been built since 1988, so 20 years of assistance, 78% has been built outside of impacted and adjacent census tracts. Of those in the 2000 census that were identified as impacted, the majority are in districts 3 and 7, with 13 in district 3. 4 in 7. And then there's 1 to 2 tracts in districts 5, 6 and 2. What we want to do is tell you very quickly, we're going to go through the history of growth, which is very -- it's important because as we start looking with where we've developed in the past and where our affordable housing has developed and we look in the future where we expect development to be and therefore where affordable housing will likely be located it's important to see this. The shifting patterns of growth provide context for really where all housing will be developed not just affordable housing, and will see us go from a population of 3,000 all the way up to over a million today. If we keep going here. By 1950, most of San José's land area and growth was contained in what's now primarily the city's downtown core and western Alviso. But then when you get further here, since 1990, you can see that it's filling in, and get all the way to the year 2000, which is the last slide that we have, and that one shows where we are ten years ago, over a million today. So Wayne, if you want to take us through the next slides here.

>> Sure. So the next series of slides show a time series just for residential development. The previous slides show all development, both nonresidential and residential. So we start with housing development through the 1950s as a baseline. And the colors on the map represent location of development, as well as the density of the project itself. And what you'll see is that the overall residential growth resembles the year of all growth in the cities that Leslye was just referring, primarily in a more sprawling fashion through 1970, and since then, it's been occurring in a denser, more in-fill style pattern of development. As we can see it filling in here. And that brings us to the present. This map is more of a schematic diagram that shows the same information. What you'll notice is two things on this map. The size of the circle indicates the density of the project, so the larger the circle, the denser the project. The different color indicates the different decades in which the residential project was built. The darker the circle, the more recent the development. There's a legend there for you to look at. What you'll see is that there's a general pattern where the smaller the circle, the lighter the color. Meaning smaller developments occurred more in the past. As we progress through history, to the present, the darker circles become bigger, as well. Meaning that more recent projects are also more dense. Except for certain areas such as Silver Creek, where it is a more recent development, but there is dark, small circles.

>> Leslye Krutko: So going into the key issues, we have four that we wanted to talk to you about today. In recent years, as those slides show, we have focused much more on infill development, and we have protected the exteriors of our city and our green space. And, as Wayne showed, a lot of our development, a lot of those dark dots and those bigger dots are along transportation corridors and in areas where we would like to see more dense patterns. So first we would like -- we are going to talk to you about the alignment of policy with future growth areas. And the first question really is, does the existing dispersion policy continue to make sense if the City's future development including all development not just affordable is more concentrated? Again, I'm sorry these maps are hard to show in -- on the screen. It's a little bit light. But what this map does is, it shows the location of current affordable housing projects in the city. So those dots are affordable developments that have been built since 1988. And as we go forward, into the planning period, the next seven years, we have a need to build 13,000 units for -- of affordable housing that is of lower income or less. So what we want to do is show you where the affordable housing is that we've developed already, relevant to future development we've identified in the housing element. And the council will be seeing the housing element for approval in June. The yellow on the map shows where the sites are that are of a density that is great enough for affordable housing. In our housing element we identify that and we're required to identify that for the State. We show, we actually have to list parcels in the housing element that shows all those units or the land that will meet our application for housing development. And then, to prove that we have sufficient land available for affordable housing, we have to have land that is zoned at densities that would allow for affordable housing. So those yellow areas are where we will, according to our housing element in the short term, see affordable housing opportunities. As you can see, the next slide shows where our transit oriented development, and this is a map that shows the transit areas, and where it's identified that we would like to have housing built. And as you can see, the potential development sites for affordable housing really overlap closely with the TOD sites. I think the only one that I see that stands out, I think that's Hitachi, the big spot down towards the bottom. This last map is a product of the GP update process and it shows really the latest thinking of where future long term growth may go. Includes the downtown core in the frame, north San José, transit corridors and stations and a village concept as where we think jobs and housing will go. The dark gray there shows where the impacted census districts are. Again, these areas are where we're likely to see more, higher densities built, and where we can foresee that much of our housing will be built -- our affordable housing will be built. The second key issue is really what is too much housing, and what we have talk about is how should a policy concerned with dispersion determine when housing needs to be dispersed. What are the thresholds, how should it be measured? Is it proximity, or is it other measures that are more appropriate? Could it be proportion of affordable units to market rate units? There are some areas when we were doing the maps where, when we did it just based on what percentage of affordable units in a census tract, where it was -- it was in -- it looked incorrect because actually the total number of units in that census tract was quite low. Say, along the Monterey corridor where there's very little housing and we'd have one affordable housing project and it shows that that census tract is impacted because of that. So there's a question of how you determine what is too much. Another issue is, instead of one development type, is it appropriate if you are going to have several different affordable projects in one neighborhood, if there is a senior project, a family project, a special needs project, or if there are different income levels that are served, does that make it more appropriate than not? An example would be where we've done this in the San Carlos Meridian area, where the Safeway is, where we have a family project, a senior project, and a for-sale project that has a percentage of affordable units. Most people probably do not know that's an affordable project there, that much of that is. And so that's a way where you can --

we are in effect concentrating units, but we have different product types. Also, when you talk about income levels, and we'll talk in a minute about that, is it okay to build projects closer together if they have a variety of different income levels? And the difference between an extremely low income project, where the majority of people are single people earning 30,000 or less, and a family project, where people may be earning in the \$80,000 range and in between, is that mixed-income housing and is that, therefore, less of a problem as far as dispersion? So the third issue ask integration versus dispersion. And I think inclusionary is an absolute -- that is integration of units. As we move forward, if we have more inclusionary projects going forward then we will achieve integration as well as the dispersion. So I think this question is really the social goal and it gets to that issue that we were asked by our affordable housing advocates to look into which is the issue of social integration. And is it okay to have stand-alone affordable projects versus mixed-income projects, and what is the better social goal? So that's something that we would like to look at further. I think last, our last key issue is really, who are the households? And this is something that's very important for us to explain, and Wayne maybe if you just put them up on the board while I'm talk. But that a lot of times we talk about teachers and we talk about firefighters and Public Safety folks. But I think it's really important to see all of the different kinds of people who are served by affordable housing. And I think there's a question of who it is we're trying to disperse, and maybe something we need to educate people about, about who lives in affordable housing. But we need these people in our community. And we are showing pictures and we listed different occupations up there from construction to us and administrative support. But we actually, we do have lists of people who live in our projects and their occupations and it's fascinating to see who we're housing. I did want to mention that this slide here, that median family income, the total household income for San José for all households is \$76,400. And if you compare this to HUD median income which is what we usually use and what we base our rents on, we base our rents on a family of four at \$105,500 which is really artificially high. But what that means is that for a family of four, who is low-income, they're making somewhere in the neighborhood of \$65,000. And the 50% of all households in San José make \$76,000 or greater. So we're actually a large number of people who live here, would qualify for affordable housing. Even more, by the way, would qualify at 80% of median income which is considered low-income, since we typical use 60% as our number. The graph here shows this from another perspective. And the yellow bars are indicating employment levels. How many people are employed in different industries. And the green bars showed average wage. And many of the areas where we have more employed people have lower wages, and the areas where we have very high wages like the right side, the legal services, we have very few people who are working in those professions. So going on, I think to the next slide on key -- on this issue as we look forward to where we're going to add jobs, and this is a chart that was given by Stephen Levy for the general plan task force, much of the jobs that we are creating are in those areas that are on that last slide that shows they are not high-paying jobs. So that's something we need to keep in -- we need to realize, but also understand, that these are people who we're planning for and we want to live here. So they're not people who are folks who we should necessarily be concerned about dispersing throughout the city. So then lastly, just next steps. This was really just our first shot at out-the-door and we'd like to hear any comments you have as we move forward with this. We do need to go to the community with this. We had -- you know we certainly have neighborhood interest in this. But we also have a lot of affordable housing community interest and we need to hear their voices and then we'll come back and see where we are with this. So with that, we're here for any questions you might have.

>> Councilmember Liccardo: Thank you. Thanks, Leslye. Appreciate all the analysis that's gone into this. And thank you, Wayne. I know that not an insignificant amount of work went into this, and I suspect we'll be seeing these again in front of the general plan task force. Looks task force-ish. So anyway, I look forward to more discussion about this. The first thing that hit me off the bat is when we look at opportunities or the densities that are appropriate for a lot of affordable housing, it seems to me as we look at that slide regarding the planned identified growth area that the 2040 task force is looking at, all those red areas are villages where we expect higher density development, as I understand it. Many of those are existing strip malls or commercial strips where we see an integration of jobs and housing, presumably with higher density housing on top of commercial. It seems to me that the opportunities for citywide dispersion are going to increase substantially after we're done with this 2040 task force; is that fair to assume?

>> Leslye Krutko: I don't know if Laurel wants to address that.

>> Laurel Prevetti: Good afternoon. Laurel Prevetti. Sorry about that. Laurel Prevetti, assistant director of Planning, Building, and Code Enforcement. Tonight actually our general plan update task force will consider the geographic distribution of future jobs and housing growth. And the map up on the slide indicates some

opportunities for transit corridors as well as future villages. And as the councilmember mentioned many of these are underutilized shopping centers or areas where concentrations of jobs and housing may make sense. So there might be some opportunities outside of our classic transit corridors for considering new growth locations. We are hopeful that as the plan moves forward we can coordinate with BART -- or excuse me -- with VTA, so that way, if there's not existing rail service, or planned bus rapid transit, we might be able to coordinate our plans into the long term so that new areas can also be served.

>> Leslye Krutko: Wayne, can you go back one slide? This slide here shows the transit areas. That's going to be more -- there may be some areas that are off of this chart that will work for affordable housing. But right now where the financing is, it requires that it be within --

>> Councilmember Liccardo: TOD?

>> Leslye Krutko: Yeah, within a certain area. So you're more likely to see, if we overlay this map with the next map, that's probably more likely, at least it's this point where you would see affordable housings only.

>> Councilmember Liccardo: Okay, so that's really helpful. So as we look at the map here, and we were to take those dotted areas and overlay them with the red areas we see on the next map --

>> Leslye Krutko: You'd see where they matched.

>> Councilmember Liccardo: Okay. At the very least we can say that you would be somewhat less confined with regard to the adequate sites that are out there in the city, is that fair to assume?

>> Leslye Krutko: As these are identified through the general plan process?

>> Councilmember Liccardo: Yes.

>> Leslye Krutko: I would assume so.

>> Councilmember Liccardo: Okay, That's hopeful news. One thing I know we had talked about, Leslye, is my personal opinion about the adequacy of the census tract as a unit of study. And if we go back to one of those maps with the many census tracts outlined, I think it would be probably the first one that you displayed -- sorry, Wayne, fingers are getting a lot of exercise. You see a wide variability in the size of those census tracts. And I understand that probably has something to do with population density?

>> Leslye Krutko: That's true, that's why some of the figures look skewed sometimes because of that.

>> Councilmember Liccardo: Yeah. I had personal experience with some of the distortion there, because we had a neighborhood where we had the fourth affordable housing project coming in within a three-block area that just happened to be in an enormous census tract that included all of North San José, or most of it. And as a result, you know, there was no way for that neighborhood to be able to say well, we have a lot of affordable housing. And I know, this is about dispersion, this isn't about putting the breaks on. It's about making sure we have opportunities throughout the city. I'm concerned that if we continue to rely on census tracts we're continue to have a very distorted picture about what dispersion really looks like. And I'm wondering what options are there out there. I mean, I know the police log all kinds of details based -- or data based on building blocks and things like that, and I don't know if we can get to that level --

>> Leslye Krutko: We'll look at that. So we'll put that down as an issue for study to see. That's been the way that it's been defined, but we can revisit that.

>> Councilmember Liccardo: Okay, great, thanks. And my personal view on proportion versus proximity view is it's about proportion. I think -- I say that for two reasons. One is, that when we look at kids in schools, and we look at ensuring integration, economic integration in schools, I think proportion is really relevant there. And I know proximity is highly dependent on density and things like that. And also, I think in terms of how people view their own neighborhoods, proportion is really important. Having a high density neighborhood with several affordable

housing developments in it is not that big a deal as long as we have an integration of market rate, as well. And so it just seems to me that the proximity isn't nearly as important as how people view the totality. I guess the last observation I make is, as we look at how we address issues of where we might come down and view that there's a concentration that makes it perhaps less than ideal to add affordable housing to a particular neighborhood, that maybe this is where you combine the conversation about parks. And you would say that any new affordable housing developments, in a neighborhood that already has what we consider to be a concentrated level of affordable housing, would have some obligation for park development or for amenity development. So that -- and what I get told repeatedly by developers is, in some cases we can get State money for that or in some cases we might be able to get other funding streams but only if there's a mandate. In other words, that's in the ordinance.

>> Leslye Krutko: Yeah, we're coming back to committee on that. But just as a preview, it still is a very, very small amount of money that you get. Still the gap financing hits the city. And we'll -- we will, when we come back, run through those numbers and show you what that looks like, using real projects and real numbers, we'll demonstrate that.

>> Councilmember Liccardo: Okay.

>> Leslye Krutko: But that is one of the alternatives that we are looking at, to put forward, is in areas where -- that are park-deficient, that those be treated differently. So that is one option we're going to throw out there.

>> Councilmember Liccardo: Okay, that's helpful, thanks Leslye.

>> Councilmember Herrera: Yes, thank you, Leslye. I think the idea of integrating affordable housing, I like the idea, and the comments you made that that does help you achieve dispersion. So I think I would come down on that side. And just as all these options that we're listing here, we work side by side with these folks and they're all part integrated in our community as people we work with and interact with, they should be in neighborhoods, and reflecting that in our neighborhoods, too, so. I'm curious about one of these maps, and I'm relatively new to this map, showing the dispersion of the affordable housing and everything. Do you have one that showed something it looked like that in District 8, I think you said Hitachi, did I mishear you?

>> Leslye Krutko: Oh, well, I didn't know where that yellow -- to that yellow spot, that's Communications Hill? Okay, it's not quite as low. Okay. Yeah, no, I didn't know where that one was. But that's one very, very large area.

>> Councilmember Herrera: So it's way out there in southeast. Where is that, the red spot way up in the southeast section?

>> Leslye Krutko: Okay.

>> Councilmember Herrera: So the red dot sort of in the southeast section of that?

>> Leslye Krutko: Yeah. Hitachi won't be a red dot.

>> Councilmember Herrera: Is that high density?

>> Leslye Krutko: That red dot, that's the willows. That's a senior project. It's the only project we have in District 8.

>> Councilmember Herrera: Okay. So my question, and I'm looking for the map here, on the transit -- can you go to the transit one, that shows the transit? So if there were new transit developed, if there happened to be some further transit, I'm not sure what that's actually showing up there, would we be able to look at -- would there be some sort of positive enhancement of transit, or positive enhancement of affordable housing, if you kind of look at those things together over there in terms of future transit opportunities?

>> Leslye Krutko: Well, I think that -- Capital light rail is what I'm thinking of and other, you know.

>> Laurel Prevetti: Right. We have capital light rail, which is the green dots up in the northeastern portion of the map. And if you go to the next map, you'll see some red area south of 85 in the Blossom Hill Oak Ridge area. We currently have something light rail transit there. There's tremendous opportunities in the Hillsdale area, and you'll notice in the western part of the city, Stevens Creek, West San Carlos, VTA is already talking about bus rapid transit down there. And then opportunities along Bascom and Saratoga, some of our other arterial streets that one typically doesn't think of as maybe being transit-friendly, there are something opportunities there. I think we also need to broaden our perspective of transit. It may not always be that we depend upon Valley Transportation Agency. We might find that there would be future public-private partnerships around public transit or other ways to have some additional mobility. So I think over time perhaps we'll need to explore those options, as well as looking at other modes of moving people around, such as bicycling, pedestrians, et cetera. We're really going to have to look at how all our land use and transportation modes integrate in terms of the future.

>> Councilmember Herrera: In terms of moving along the capital light rail line, there's already -- you've completed planning of what possible units might be there. I guess I'm asking that because is there ways to utilize that in terms of future funding for that project, in terms of ridership and density?

>> Laurel Prevetti: We've done some planning, but there's certainly more opportunities especially along the east valley corridor. So there's with our our form based zoning that we're working on along Alum Rock, we've got opportunities for intensifying for mixed use development as well as more commercial and jobs. Along the other portion of Capitol Expressway, we are limited by our city's transportation policy right now in terms of housing development, but it's possible through the update process that the council will relax that policy or modify it so that additional housing could be built in the classic Evergreen area. So there is more planning to do. In other words, we would like to get through this general plan update, identify where those villages are, those future villages, and then apply for planning grants so we can work with those local communities around what those villages might consist of.

>> Councilmember Herrera: Thank you.

>> Laurel Prevetti: And there are some exciting opportunities throughout the city for that.

>> Councilmember Kalra: I just wanted to thank you for the presentation. I think a key component is certainly, when it comes to the dispersion of affordable housing, there's something I think that I want to commend you and your staff for doing a very good job at is education of what it means when you say affordable housing. I know that we've been going through that process in my district in regards to a particular project and really I think the housing department has really taken the extra step in really doing great outreach and opportunities for tours and so on to make sure that the dialogue is meaningful and it's not just public, you have a public meeting and just hear it and goes in one ear and out the other, but rather, that there's an understanding that there is a reason why people have that kinds of sentiment towards public housing and it may have something to do with the way public housing has been done either here or in other places in the past that lead people to those assumptions and stereotypes. And I think it's really important for all of us to really engage the community in a meaningful dialogue in terms of educating them. And in terms of the programs, I appreciate the fact that there is a different array of employment that is shown for those that need housing. And I can anecdotally speak, when I bought my first home, in order to help offset the mortgage, I've always rented a room. And my first roommate, she was a special education teacher in middle school, never would have been able to afford a home in San José if it weren't for the programs that were available to her, and particularly as a first-time teacher, or as a teacher, as a first-time home buyer, and she was able to buy a home in San José and still teaches at the same middle school. But I know she is someone I would be proud to have as a neighbor. And I think that that's just one of many examples when you show that there are many hardworking people, that because of the nature of the job they do, they won't be able to live in the same community that they work so hard in. And so it's not a matter of giving a hand out, but rather, it's a matter of valuing the work that all of us do in this community. I appreciate the work of the housing department in that regard.

>> Leslye Krutko: Thank you. Yeah, I think it's ironic, some of the time that people who initially oppose affordable development could actually live there, and they realize that later that they could. They just got into the

market at a time when housing was more affordable and wouldn't be able to afford it today. So that is part of the education process.

>> Councilmember Kalra: Thank you.

>> Councilmember Pyle: Thank you. Are there any other questions? Colleagues? No. There are any people in the audience wishing to speak on this subject? David, I just had a feeling I was going to hear from you, since you have a letter here. Come on up.

>> It's not a letter, it's a publication.

>> Councilmember Pyle: Well, publication.

>> However, rest sure that there will be a tremendous number of letters. This document speaks for itself. I don't need to talk about it. But let's think about affordable housing. There's a material misrepresentation. Affordable housing is really not what we're talking about. We're talking about communism or tax subsidized housing, okay? In the breakdown about extremely low income, very low income, why don't we say absolutely no income, which is referenced in that report very briefly. The 1989 policy which was referenced in the report is just too archaic and too old to discuss. It doesn't apply in today's standards. In addition, the voters never got to vote for this type of thing. This was another policy like the housing department was hoisted on the taxpayers without voter approval, office of economic development, same thing. And now we're getting into this whole idea of who we're going to include into our neighborhoods. Well, do I want one of housing department slums in my neighborhood? Well, I already have slums in my neighborhood, but I don't want a tax-subsidized one. Where did we get to the issue going, well, you know, you don't have to go to school, you don't have to become a valuable member of society to live in District 10 and in Almaden Valley. Do you think anybody in Almaden valley is going to want one of those housing department slums, in which foreign nationals, not even U.S. citizenship is required? And you end up paying for that? Do you think they're going to want that in district 10? No.

>> Councilmember Pyle: We already have it.

>> Well --

>> Councilmember Pyle: And they're quite beautiful.

>> I don't think they're going to want any more. Now, the outreach policy of it. Why don't you put it on the ballot if somebody really wants to subsidize this because you get to the issue of property values and not many people are going to be wanting this type of thing in their neighborhood with all these cars, all these people that are unemployed hanging out, and the crime. And the crime that's reserved in this document. Because we don't see any integration of San José police records in reference to increasing crime or let us say they're such great projects that crime actually decreases when you increase extremely low income, very low income, low income, absolutely no income people in your neighborhood. Now, what one of you wants to raise your hand and say oh, that doesn't happen, but in any case it's good to see you all and there will be much discussion about this. Thank you very much.

>> Councilmember Pyle: Thank you, David. And this will go to Susan, there is a request for information, so if we can get this to Lee, we appreciate this. Okay, we're ready to and waiting for an approval.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Liccardo: Second.

>> Councilmember Pyle: All in favor [ayes]

>> Councilmember Pyle: That is done, unanimously, thank you very much. And at last, we are here for you, Ed. Thank you for being patient. I appreciate that.

>> Thank you for being patient with us. I just wanted to start, because I know time is important for all you folks. And while David is setting up the technical ends of things, I know you've gotten copies of our presentation. But I just wanted to do a quick review of the industry. Last year, 2008, was one very, very bad year for the airlines. If you recall, last summer, we were dealing with fuel costing \$147 a barrel. And as a result, every single airline in the United States, and many airlines around the world, reduced their fleet plans. They deferred deliveries in the next couple of years. They retired less efficient aircraft. And in the meantime, we saw hundreds of aircraft parked. And we're talking 100 from United, 50 from American, 50 from Continental and 40 or 50 from Delta. So quite a few came from the inventory. And then when the airlines couldn't figure out how to make money with less airplanes, they started what they call the a la carte model which basically said, let's charge for baggage, let's charge for specific seat assignments, let's charge for blankets and pillows and things. So that was one of their responses as well. What we saw is airlines having difficult time making long-haul flights make sense because of the cost of fuel. As a result, transcons became very difficult to justify, and in particular, we saw the main legacy carriers like Delta and others deciding with the domestic market being so heavily impacted by low-cost carriers like Southwest, Jet Blue, Airtran, et cetera, they felt we needed to take these airplanes that were flying domestically on transcons, et cetera, and we needed to put them in the international marketplace. Because there's a whole lot less competition in the international marketplace. So that's what's been going on the last couple of years as the U.S. legacy carriers have been moving and growing their international product. And that continues right into 2009. So now that we're here in 2009, when I first put this together, fuel was down around \$50 a barrel. Today it's about \$60 a barrel. Still a far cry from \$147. But we're dealing with a worldwide economic crisis that is pretty severe. What's happened is, business travel is down. Leisure travel is off. And certainly with this weakened demand for travel, the airlines are certainly very worried. On top of a very bad year, 2008-2009 is not shaping up any better. The thing that most concerns a lot of the worldwide carriers is the business travel. When you sit and look at a typical bottom line for an airline, the business travel that usually sits in business class or first class or premium economy, that represents sometimes 25% of the revenue, and it's only 10 or 12% of the actual passengers. So those are the passengers they're missing. And as a result, they're hurting. It's becoming more and more difficult to make profits as a result of this. The other thing we anticipate now, it's with the credit crunch, the loss of jobs, et cetera, we anticipate international travel, that's all the U.S. carriers have been focusing on the last couple of years may be challenged this summer and certainly this fall. And on the other hand, we look at San José, Mineta San José is primarily a domestic airport. Yes, we have service to Mexico and we're looking for more international but in the meantime we are primarily a domestic airport. And as a result, we see several of the major Silicon Valley corporations have cut back on business travel. We also of course lost some routes last year that were prime business routes and those passengers obviously are flying most likely out of San Francisco. So what we see is, San José has been impacted more than we anticipated, because we've lost business travel as well as the overall capacity. Since we met with you folks back in January, and we went through the whole craziness of 2008, we ended up losing our flight to Boston, our flight to Washington. And I know Councilmember Pyle, who wrote a nice letter recently to Mr. Caldal at United Airlines begging him to bring it back. Also lost Newark service on Continental Airlines. All that happened in September. Then, by November, United pulled out of the Chicago market completely, so the airline that is home in Chicago didn't have service between Chicago and San José on a nonstop basis. These are the decisions that were all made in August. They were the right decisions. But despite being painful for us as an airport, we decided immediately to launch into a program of reaching out and trying to get their attention. However, of course, with the demand being soft right now, it's kind of difficult. This certainly is an uphill battle. In the meantime, we're still looking at the international marketplace which certainly is a marketplace that takes longer to foster. And the strategies we're still working on are the ones we spoke about last January. We want San José to become a spoke on the hub. We were a hub, we were a hub for American Airlines from about 1990 to about 2005, 2006. Hubs are very attractive for airlines, they're very cost-effective. However, it's very difficult for us, in the today's environment, to anticipate any U.S. airline ever setting up a hub in San José at this present time. It just takes too many airplanes and too much of an investment. So we instead decided to look in the other direction, that we would like to become a spoke on a hub. And in particular, that's why we're talking to the international carriers like Japan airlines, All Nippon, and British Airways, et cetera. We want to be the hub, we want to be accessing their hub in Tokyo and accessing the hubs in London or corridor in Seoul, Korea, for example. Insofar as we do have a very diverse population as well as a very global-minded Silicon Valley, we feel the international has some great potential, certainly. And secondly, we've also been working in the last six, seven months now on southwest airlines have come up with a program where they want to do some co-chairing internationally, an airline that has been nothing but a domestic carrier since 1974, is now looking at the international marketplace, not so much as they will fly it but rather having a partner handle that. And as a result, they've launched a program where they want to do something with West Jet later this year that will allow them

access to Canada using West Jet aircraft. And likewise, you may recall the discussions we've had with Volaris, the Mexican airline. They are the partner that Southwest has chosen, and that's going to happen in 2010. In any event we've been busy running out and chasing airlines since September, when the world seemed to fall apart. We had meetings with United Airlines, couple of times with United, three times with Jet Blue, Continental, American three times, Delta, Alaska, Southwest. We've met with Mexicana twice and Aero Mexico twice. And what's interesting is, we're meeting with Aero Mexico again tomorrow. And there's a very strong possibility that Aero Mexico may be one of our newest carriers later this summer. Since our meeting with you in January, we've had discussions with U.S. headquarters folks of Korean Airlines, Japan Airlines and All Nippon. And a few weekend ago we had the senior network planner for All Nippon visited us and did a tour of the San Jose Airport, and so that we're continuing to reach out to those folks. We've also had discussions with Air China Beijing, and we've also begun electronic discussions as well as we transferred some files to China Air, which is the airline of Taiwan. Mexico, we've mentioned we've met with Volaris, we've met with Mexicana and Aero Mexico, and it looks like things are coming in the right direction. West Jet, we've met with them already twice, and we're going to meet with them again in June, so we continue to reach out for these airlines. So that's where the airlines are right now, and where we are with the airlines. But I wanted to also kind of give you an update on what happened since your approval of setting up the task force that we put together back in, I think it was the end of January with the Mayor's Office, the Office of Economic Development, Paul's team, Dan and the CVB, Connie Martinez at 1stAct, and our team. Main purpose of that task force was to reach out to major corporations and in particular determine what their international travel needs were. All parties were involved in a development of a survey that we've put together. We put it on our Website. And the first solicitation was organized by Ru and the mayor's office. Sent out about 50 letters to various companies in the region. And of the companies that we reached out to, we heard from Adobe, Cadence, Cypress and Alterra. So when the first step was over, then we turned to Connie Martinez who was very, very proactive and decided she wanted to reach out to some of the big companies, as well. And so she reached out to HP, Intel, Apple, Oracle, et cetera. But the responses came back only from Agilent, Granite, Variant and Synopsis. We then decided we'd go to the people that we knew in some of the companies around Silicon Valley. Our responses only came from Symantec and Juniper. So out of the top 20 Silicon Valley companies, we've really only gotten responses from two. And that's based on their sales in 2007. Symantec was the number 16th company and Agilent was number 17. Currently the CVB is also working doing what they can. They're reaching out to the business travel association of both Silicon Valley and the Bay Area to try and capture some of the input. We really need those top companies, because those are the companies that give or do significant travel. If you look at the 15 companies that did respond, we've found that travel to Japan and Asia represented about 4900 trips a year. Whereas travel to London, Europe, et cetera, was 5,000 trips a year. So it was a pretty good representation. But again, they're small, small companies compared to the top folks like Google and Apple, et cetera. In all the discussions that we have, it always seems that the corporate input is extremely important. We needed not only to justify trying to convince Continental and Jet Blue and others to put service back into Newark, Boston and Washington, but if you look and see what happened, we had, as I mentioned before, an American Airlines hub here that was flowing to Tokyo, Taipei, Paris, et cetera, and we really need to reestablish that. We were dealing with something that flew for 16 years. Obviously, if it lasted 16 years, it didn't suddenly fail. And there certainly is a market there. I know when I looked back at some of the statistics, we seemed to carry about 60,000 passengers each year. But because American Airlines had no beyond service, it was strict people going to Japan. And now as you know in the last ten years we've developed quite a diverse beyond Japan marketplace here, as well as many of the companies here are certainly looking for travel to not only Hong Kong but also Beijing, Shanghai and then Taiwan and places like that. So it makes so much sense now to continue discussions with folks like Japan airlines and all Nippon and et cetera. But the key is going to be the business travel. We need to come up with those people who will be sitting in the business class zone or premium economy. We can certainly come up with the what we call the VFR, visiting friends and relatives who will go back and visit people in Saigon and et cetera and vice versa, but we really need the business folks. Something that's just happened just recently, we had -- the airport commission had gotten into the loop and decided they wanted to reach out with us, so they've set up a small subcommittee that will try to also reach out to corporates for their input. They've also tried to loop Carl Guardino and his team in, and I know we've had some discussions. We did a tour with their transportation committee recently, so we're making some headway in that direction, certainly. But yet, if you sit and you look back in the 1990s, American Airlines chose to open the hub in San José. San José didn't have to do anything to generate that. That was a decision on the part of airline. The airline had bought up some small domestic airlines, I think it was Air California or one of the smaller airlines that were flying around the West Coast here. And it kind of allowed American, I think they also picked up Reno Air as well, to open up a hub here. And certainly they thought enough of it to do Tokyo, Taipei, Paris, they had Honolulu, they had Maui. These

are all routes that we'd love to have again. Although we still have Honolulu, we'd love to have Maui. Then in the late '90s, early 2000, et cetera, we had the dot-com boom, and again, this is something that certainly caught the attention of the airlines. But it wasn't something that we had to go out and tell the world about. Now, things are a whole lot different, because now we're faced with a whole different industry. And now, we need to do or proactive. We need to reach out to the airlines. We need to make the case for Japan. We need to make the case for Boston, et cetera. Certainly we will get airlines interested, and we've had meetings with these airlines. These airlines don't say we're not at all interested. These are not things that will happen tomorrow or a year from now. But certainly, we can bring the airlines to the table. But to keep them at the table, we'll need some additional support from the community. So where do we go from here? We're going to continue to work with all of our stakeholders to solicit the needs of our travelers here. What the most important thing is, we need data. We need to have people filling out surveys, and telling us how often they travel to Japan or beyond, et cetera. And then they also have to commit to supporting this. It's easy for us to sit here and say that an airline will come if you guys commit to it. I don't mean the committee here. But I mean if the folks in San Jose are willing to support it, they have to buy tickets. They have to support the services. And it might be a case of they've been flying from San Francisco for the last five, six, seven years now, and now we need them to fly from San Jose. And that may be a difficult decision. It may be that they've made contracts with United Airlines, and it might be difficult to break those contracts, or United will make it difficult, as well. So we still continue to feel strongly about, with the Asian population, and the Silicon Valley global business, that Japan Asia should be our number one priority. And I ask you to let me know if you also agree. We still have our joint advertising funds for promoting the name, San José, something that we came with after we lost out to San Francisco with Aer Lingus. We also had, thanks to your approval a year ago, the new extended program for long haul international flights and again, just last month you extended the waiver of fees to all new Mexico Canada flights, which will certainly help us when we're trying to woo the folks from Westjet or Volaris, for that matter. That's the extent of my presentation. I hope I didn't bore you or put you to sleep. So I'm sure you'll have lots of questions for me.

>> Councilmember Pyle: Councilmember Kalra.

>> Councilmember Kalra: Thank you. And thank you for the presentation. Certainly an area of interest, I know, for all of us, seeing how we can boost the use of the airport, especially now with the modernization. And I certainly agree with the priority of Asia. Particularly for folks, small business travel, even with the downturn, there's still a lot of business traveling happening between here and Taiwan, China, India, there's definitely an opportunity to figure out how we meet the needs of those travelers. I mean, a lot of people that live probably minutes from the San José airport that go to San Francisco to take flights to Asia. So we have -- the problem is that because the -- like as you said for years now we had folks going to Asia through SFO, it's very difficult to quantify how much the airlines -- how quickly they could fill the planes going from here, when they already have something going on, they have a good thing going, it's very difficult to have them move over here. But I think that's a good priority to have and look at. You know, the bottom line is money, when it comes to these companies, and I'm sure that possibly part of the lack of response from some of the companies is that they just -- they're just going to care where is the cheapest flight and most convenient flights and that's all that matters. And a lot of them I know use travel agencies and I saw that there was some outreach being done there. That might be a really good way to go, find out companies, which companies these large Silicon Valley companies are contracted with to do their travel. That's what I've been told by a lot of executives, look, we have a contract with these companies, they get us these flights. Those are the companies that you have to go to because we don't have the time or energy to worry about trying to attract more flights to San José. Some of the larger travel agencies and companies that the corporations use may be a good angle to put as much if not more emphasis on that, than specific outreach for some of the corporations in the valley. In doing outreach to the corporations I think that it's a good strategy. It is not something that we also need to do to find out what it is that we can do better, again by the end of the day is probably just money, again convenience of the flight, and so any amenities that could be added like shuttle service to and from some of the alarmingers companies, at least that's an expense for them and if it makes sense for us on the fiscal side to provide, that could be an incentive that also affects their bottom line but also bottom line both in times of money and time savings. But as you said, it's going to be a process, it's not something that's going to change overnight but I appreciate the outreach and I think that there are -- I think that the airlines that are being targeted are the right ones in terms of those Asian airlines, it may be an opportunity and I don't know if it really exists at this point but for some of the direct flights to India as the economy turns around for some those airlines that provide direct flights from India that might be an opportunity as well. Because you know, the -- there's a lot of travel going on there, and certainly relying on some of the Chinese airlines can help with that, with getting

this transit over to India, but some of the airlines that can do direct transit straight from here to India, eventually may be a place to look as well.

>> We did reach out to Kingfisher And Jet airways about a year ago. And as you know, the industry certainly has changed drastically, and Jet has stopped flying from San Francisco, and Kingfisher has postponed their plans to come for the time being, so we look at India as a perfect one-stop market, certainly folks going to the Mumbai and Deli and Bangalore, for that matter, and there's a lot of corporate that goes to all three of those cities, as well as several other cities in India. So we're on for that one and a lot of that information we receive from Paul's team, Joe Hedges, in particular, so it helped us with our outreach.

>> Councilmember Kalra: And believe it or not, even though -- I mean, a lot of them don't know that San José airport is even an option. SFO even for the airlines, SFO certainly for the companies based in India that's just the airline that everybody comes into. And so I think especially now the timing may be right with our modernization to continue that dialogue so that when -- when, as the economy continues to move forward, we can really, as Jet Airway and Kingfisher, Jet Airway, I know they cancelled the flight very quickly after they started it from SFO to India. But let them know that the majority of the population that's flying to India lives probably within ten minutes of -- ten, 15 minutes of San José international airport.

>> We had not only received good stuff from Joe but we had gotten input from the folks in Fremont. They gave us a whole lot of good stuff and we know that San José and Fremont are the two major home bases for Indian Asian communities. So we shared all that information with them. But again -- San Francisco.

>> Councilmember Kalra: Yeah, yeah and that's going to take some time to get that.

>> It will take a while. But at least we had our voices and we raised them and we had quite a few correspondence going back and forth.

>> I think just to add to what you're saying councilmember, that the new airport will be very much a strategic advantage to us looking ahead. Although this coming year is going to be hard and next year may be hard as well, the new airport is on time, on budget, the council is on board with a \$1.5 billion investment for an airport that can fly to any international destination. The runways are long enough to reach around the world. The terminals are beautiful. So that's part of our story that we're telling to carriers, both here today and the ones we want to have join us in the future.

>> Councilmember Kalra: Thank you.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: Thanks, Nancy. Question, it seems as though both in the report and the presentation, that SVLG was something of an afterthought, that the airport commission, some members decided that they would partner with SVLG. I'm wondering why SVLG hasn't been involved in the front end. Have we reached out to them directly?

>> Often. It's not that the leisure group isn't with us, economy of the valley, understandably so.

>> Councilmember Liccardo: Right.

>> We were very delighted with the help of combined outreach over time to invite members of the group's transportation and land use committees to actually walk through the new airport. And when you walk through the airport you walk away with a wow, there's no doubt about it. I think as part of our opportunity and challenge is to get people in to see the new facilities that they're getting here in San José. So the leadership group recognizes that this is an asset. But as an organization, they are responsive to their leadership as well, in terms of corporate CEOs and CFOs and the like and I think as Councilmember Kalra said on a list of 100 the airport is probably 101 in terms of business success in this valley. And our challenge is to move that up in the consciousness, saying it's not something you can take for granted. It is an asset to the valley and to your business and to all the people in your company who are traveling. Not necessarily to you who have the travel manager or travel agency book your

travel. We hear time and again, we love to fly here from San José if you had the flights, if you had them at the time to the destinations. So it is a chicken and egg problem that we have, that we need to have corporate support. Corporate support comes from the flights, flights come from corporate support.

>> Councilmember Liccardo: I understand, okay. I just know that they do an annual survey of all their members already. I assume you've already made efforts to be a part of that. Is that right?

>> That will continue.

>> Councilmember Liccardo: Please don't hesitate to reach out to us. Because I'm sure the people in this room talk to the SVLG every day, if you count all the folks and I'm sure there would be plenty of willingness to try to move forward together on that. I want to challenge a little bit the assumption that Asia would be our number 1 priority. Because I know it's simply true if we look at where business connections are. No one would doubt that, China and India and Japan would be critically at the top of the list. But I wonder if, as we look at our comparative advantage in the world, as a gateway not just to the eastern edge of the Pacific, but factor in the whole Pacific Rim, with whether or not the focus on Latin America and some of the lesser served regions might be a better place for us, knowing that we are not going to compete necessarily well with L.A. for cache in terms of attracting flights from some of these locations or maybe even San Francisco. But that we ought to be focusing on other markets that may be neglected at some of those higher visibility destinations. And so I'm just -- I guess I throw that out there certainly not in any way to minimize the importance of the growing, burgeoning Asian economies into our economic plan, but really wondering whether or not we shouldn't be looking for comparative advantages rather than simply absolute growth. Is that something we've talked about internally?

>> Certainly, we can, sure. The reason I guess I kind of hung up on Japan, it's just a case of, if you've had an airline as famous as American airlines running a route for that long, it's somewhat easier to find someone to do it again, as opposed to something that's never been tried. And certainly, Latin America certainly does make some sense, you know,.

>> Councilmember Liccardo: Okay.

>> We've had some -- we had a meeting with COPA of Panama recently. They were very interested until they found out we had a curfew. And their flights usually leave the U.S. at 2:00, 3:00 in the morning and arrive in Panama at 10:00 their time and then connect to everywhere in Latin America. So it's a great opportunity, but we have a curfew. So we certainly wouldn't want to pursue that at all.

>> Ed and I have had this conversation multiple times and we continue to marvel at the decision making process in the airline industry. They do not try new things unless someone else has done it first. It's kind of like the retail industry.

>> Councilmember Liccardo: Sure.

>> We've been trying to get retail downtown for a long time. And every operator is waiting for someone else to make the first move. Airlines operate much the same way. And so if you can make it easy for them to make the decision because it's been tested somehow, they're more likely to do that. And I'll be the first one to marvel at Ed's stamina. Ed will talk to anybody, anywhere, about any opportunity to get a flight into San José, whether it's Asia, Europe or Latin America. He'll return that call and provide the data right now, at any time.

>> Councilmember Liccardo: Right, okay. Well, I've heard that before, too. So thank you, Ed.

>> You're quite welcome.

>> Councilmember Liccardo: You're working very hard on this. I guess the last question I have is, as we look at some of the news we've seen over the last couple of years in terms of declining emplanements and so forth, are we in any way in any kind of jeopardy in terms of our finance plan with this billion and a half dollar expansion in terms of being able to ensure that those committed airlines and the signatory members and others are going to be able to help us provide financing?

>> The short answer, Councilmember Liccardo, is no, that we have had excellent support from our carriers. They recognize that the airport has gone far beyond any expectation in terms of keeping their costs within the bounds that we'd agreed to. Even in the face that many emplanements are down by a third, essentially, we've reduced our costs by a third to keep that ratio within our agreement, and in fact we'll have an extraordinary meeting with the carriers representatives in a few weeks to look at other kinds of creative possibilities to keep that ratio of costs where we want it. But in terms of the airport's ability to pay back the bond that has issued, Bill Sherry will tell you right off the bat that that is a primary commitment we have financially and we'll meet that commitment.

>> Councilmember Liccardo: Great, thank you.

>> Councilmember Herrera: Thank you, I guess it's my turn. So I agree with most of what's been said and you've answered much of my questions. I've been out to the airport, and I think it's a would you, for the public and traveling public especially to see what's happening out at the airport. That's going to really help that situation. It wasn't ready sooner, it is happening now, as the new airport expansion is really going to have a dramatic impact. I think a lot of this is long term, this has already been said, companies are struggling and airport is not necessarily at the top of their list in the immediate things that they're focusing on. I think Asia is a market that we should be focusing on. I totally agree on about the travel companies. When I was working out in Silicon Valley, the travel company controlled everything, who you traveled with. Agency companies, sit down and find out what would make them want to support travel out of San José?

>> Yes, actually. The commission's business outreach committee that Ed described has also identified that as a very key early term priority to continue our efforts and to bring the men physically to talk about what they can do and bring them into the airport and show them the wow, as well, as we have found that to be very much a selling tool for us. So the answer is yes, that is something that we are looking both from a commission and staff perspective, because the travel community, corporate travel managers and travel companies obviously have an important set of keys for the future travel here.

>> Councilmember Herrera: I wanted to know, I know that you mentioned you answer every inquiry. And I think that's wonderful that we're following up on every lead. Are we seeing any more leads now? Are we seeing any signs that there are more inquiries at least that would lead us to believe that the situation is improving?

>> The -- I don't think the world is check-changing very quickly. I was riding something in morning that said the chairman of British airways that the last quarter of 2008 was the worst quarter in the history of British airways. That's pretty scary for an airline, that's for sure. The business travel hurts them, they rely very, very heavily on that. I'm encouraged and certainly the folks at Volaris have said, when we met with them, with the community, the response that they gave us that night was they want to be in San José, it won't be in the first year, because in the first year they want to start probably from an airport where they can fly during our curfew hours. So as a result, they announced Oakland and as of come sometime in July, there will be two flights leaving from Oakland. One at 12:30 a.m. and the other at 1:00 a.m. So they have lived up to what they said. They're not going into Oakland at 12:00 in the afternoon or 1:00 in the afternoon, they're doing it in the middle of the night. They also indicated when they announced Oakland that San José is still on their list. As I mentioned, Aero Mexico is very interested. We have had meetings with their sales people, and tomorrow their VP of airport services comes to take a look at it. He's thinking the service may start as early as July 6th. So we've got some paperwork to go through with it and hopefully we'll make it work. So there are some promising things, but it's not something to write home to mom about yet.

>> Councilmember Herrera: How much of a gating item is the curfew and is there any thought on us trying to modify that in some way? I know it's been discussed many times.

>> That's really an issue for the council is a fundamental policy for the city for a long time that the airport is a good neighbor and we're absolutely in line with nap it's something that if the council chooses to make that a policy issue to consider that would be the prerogative. But from an airport perspective, we will follow the direction of the council. Right now that's the policy of the city to respect the curfew in spirit and in law.

>> Councilmember Herrera: My question is not so much that we change the policy, my question is do you any that's a major factor in us not having airlines come in here right now, how important is that?

>> In today's environment I don't think that's stopping the airlines, no.

>> Councilmember Herrera: I had two more comments. There's organizations that are very connected to the Asian community and to other ethnic business communities, organizations like Thai in the Indo American community. It might be worthwhile to reach out to some of those organizations and to meet with those business leaders to share and to show them San José airport. I think that because they are business leaders and it is a community where, as Councilmember Kalra mentioned you know, people -- folks live here that would be a good idea I think to develop those relationships. A lot of times relationships go a long eight. Not necessarily right away in bringing the airlines, but at least making that community aware of the benefits of flying out of San José and what we have to offer and maybe really make it culturally relevant, and work with those groups, various different groups that we are trying to reach out to, whether it is India, China, the Philippines, Latin America. The other thing I was thinking of is, is there a way that we could develop maybe some unique marketing strategies via the web to companies? Sort of offering them some new flavors of information about our flights, or about things that are offered that we could communicate with them in kind of a novel way that would speak to our high tech presence?

>> I think just in responding to that, that actually starts with what kind of amenities can we offer at this time. And then how do we best communicate that? It starts with a service, and the challenge quite frankly, members of the committee, that we have as an airport right now is that we are also in a very tough time financially. That every good idea, and there's 100 of them, we have to balance with what is it that we can feasibly do. And so one time we can come up with a lot of those things, but we have to make sure that we focus where we have the most likely return of investment. The idea of outreach, thought, to the Indian and Asian communities is exactly right. And it takes a page from what we were able to do when Volaris came to town in January. And we had excellent cooperation from the Latino community in San Jose and made a very strong impression and presentation on Volaris. Having those relationships ahead of time makes it easier to make those presentations when the time does come. I think you're exactly right, that the sensitizing of our various parts of our communities that say that the airport is something that is an asset to them and when we need you can we call on you for help to bring a flight here? Whether it's for a Mexican carrier, for an Indian carrier, in a corporate perspective whether it's Asia or Europe or Latin America. Balancing that with everything that's happening to the airport in the next year and a half.

>> Councilmember Herrera: Thank you, I think especially reaching the business leadership in those communities. They can have a tremendous impact on decision making and a lot of that leadership owns companies. I think it's important to reach out to them. And the Web idea would cost very little money, it would take some thinking. Kind of a novel way to communicate with some of our businesses that would you know, sort of market -- sort of show us as being a little bit more innovative, a different way of communicating. I'll think about you and I'll e-mail you.

>> We get lots of mileage of our starting of free WiFi at the airport just a year ago. That really did make a distinguishing factor for us, with the Bay Area airports, ever since then Oakland has joined up with free WiFi, SFO does not. And it's been a tremendous hit with our travelers, particularly business travelers, who now expect that in their travel, to be able to not only have the WiFi service, but to plug in their machines so they can charge the batteries which we can do here. And so having those kinds of business-oriented amenities in the airport is part of our strategy and being a -- finding a way to make those happen within our resources and being able to communicate them within our resources I think fits into what you are suggesting.

>> Councilmember Herrera: Thank you.

>> Councilmember Pyle: Thank you. Those were great suggestions. I just wanted to summarize in a way, I'm assuming that there have been no personal contacts to any of the companies that were sent letters from our city council members, is that correct?

>> You know better than I did.

>> Councilmember Pyle: Connie Martinez was the only one that --

>> Connie Martinez sent e-mails to the folks that she new personally.

>> Councilmember Pyle: Okay.

>> Ru and the mayor's office sent letters to CEOs that they had met with in the first year or so that Mayor Reed was in office. And then we took a list of the companies that we knew personally and solicited their input as well. And that's what's going on now with the CVB and the VTA, business travel associations.

>> It's a continuing effort. It's not something you start and stop. It's something you have to keep doing.

>> Councilmember Pyle: And I thought one thing that might help is to come up with the top ten reasons to fly San José. You mentioned the WiFi, I think, you could do the top five, it certainly doesn't have to be ten, but top five reasons. And then the other things is, would it be possible, now that the shell is a little more than a shell, of the airport, to have some kind of a mixer, a cocktail party, something to show the place off, and to encourage the very same people that you both spoke to, and as well as Ash, to come out and -- say that would be a pretty exciting thing to do.

>> We have a bit of a balancing act right now, it is still an active construction site as we bid out the concessions within the north concourse, the terminal B concourse. But we do have a later opportunity later this summer when we do the interim partial activation of terminal B concourse when southwesterly will move into the first five gates there.

>> Councilmember Pyle: Like maybe in August or something?

>> We're looking at August right now, not the grand opening of the terminal, it's opening up half of terminal B in some respects it's half a ribbon cutting. But it does provide us an opportunity to introduce our community to the new building and to give them a taste of what's going to happen in a much grander way, a year from now.

>> Councilmember Pyle: Right, and I think if we get the power players out there, that could help tremendously. I think you're right. Once people see it and the wow factor kicks in, it does make a difference. Russell Hancock from Joint Venture, I mean, he's another person that I would invite, because they do have a lot of influence. And also, any possibility somewhere along the line, with what do you call it FTR people, I'm not sure what you said.

>> VFR. Visiting friends and relatives.

>> Councilmember Pyle: Some kind of a thing they can put some of their ticket stub in or whatever for a drawing every thousand flights, or I don't know, something. Some kind of incentive for just the traveling public. Those are just a few ideas. But I would be more than willing to go out and talk to some of the corporations, if that would help. Sam, you had at one point expressed that --

>> Councilmember Herrera: I would, too.

>> Councilmember Pyle: We all would like to pitch in. So if -- I mean please write us down and use us as resources.

>> Your top ten reasons, by the way, we did top seven when we were meeting up with JAL and All Nippon, top seven reasons why they needed to be here. That was David's idea, so you think alike.

>> Councilmember Pyle: Okay, so with that, are there any questions from the committee? And any questions from the audience regarding this topic?

>> Motion to approve.

>> Councilmember Pyle: We have a second. All in favor, aye? [ayes]

>> Councilmember Pyle: Approved. And with that, we are ready for open forum, so David.

>> This part of program, we always try to give solutions to problems, to make money for the city. That's imperative that citizens have to jump forward and give ideas. So I have a couple. One is a business incentive, that would affect the airport even though I'm not going to talk about the airport. Is aa tax that is that has infiltrated every part of the business community that does business with the City of San José. It is really a quasitax, and that's that cursed prevailing wage policy. Get rid of it. It is hindering businesses throughout. We know from Rules, people that inadvertently through accounting mishaps, end up taking \$25,000 a hit. And also, it is a cost to that program to administrate. In these tough business times, get rid it of it. It's a hinderance to businesses. Another thing that we've learned from District 3 that could be applied to this one. In my neighborhood, as I spoke to you earlier about slums, garbage service can be waived. So why don't let's take waging garbage service to businesses and say, hey, you don't have to pay through a garbage service, but just single family homes don't have to pay for it and businesses don't have to pay for it. That will help you. Last thing is something I've mentioned before. You need to work with what you got. You have a tremendous amount of useful talent here in the Bay Area. A ton of it. This will bring in a quick nickel versus the slow dime. And you have it right here, how you go about it, you have a lot of infrastructure already in place. And these barbecue servants that I talk about, lot of money in that too, and that's what you have. Investing in any other thing right now, you don't have the money for it. You've got to work with what God has given us to work with. Our resources. And with that God bless all of you.

>> Councilmember Pyle: Thank you, David. We are adjourned. Thank you very much for your presentation. Really enjoyed that.