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>> Mayor Reed: Good morning. We have a quorum. We're going to get started. With the last of our budget study sessions. Finally getting to the end of this. Not to the end of the budget bit the end of the study sessions. So I don't know if it's the -- I think Churchill said it's not the beginning of the end, it's not the end and it's not the beginning of the end but it's the end of the beginning. We have a lot of work to do over the next few weeks to get this budget done but it's good to be getting to the end of this phase. And today we're dealing specifically with the San José Redevelopment Agency and as I was leaving my office I looked at a photo that I have hanging on my wall that Russ Campbell gave me more than 20 years ago, of what downtown looked like, 30-some years ago. And I think everybody here has seen the 1978, before and after video that the agency put together, and the transformation is remarkable. And lots and lots of blight got eliminated after downtown went into a period of decline in the '50s, really the '60s and early '70s it was the agency that made it possible to eliminate what was truly a blighted downtown and rebuild it with billions of dollars of not just agency money, but private sector investment, as well. And so I keep that picture hanging in my office just to remind me of how far we collectively have come, and the agency can be enormously proud of not just the downtown work but the infrastructure and everything that made it possible, for our redevelopment areas or industrial areas, to rebuild, eliminate blight, and create many, many, many thousands of jobs. So today is sort of a back-to-future moment in the sense that I think that Frank Taylor came in as executive director, we had a very small staff, and a very small budget which we managed to grow dramatically. So we are now at a period where we're essentially starting over and looking at a small budget with a small staff but tremendous upside potential as we move forward. And notwithstanding the governor's proposal to eliminate redevelopment agencies, which as I just told a meeting interview is a bad idea, a big mistake, because the one thing we can point to, I think anybody can point to in the State of California that you can demonstrate has helped create jobs and keep jobs in the State of California has been redevelopment, so eliminating redevelopment is a direct impact on California jobs and will just make our horrible record of job creation worse. In the last decade, while California was losing jobs on a net basis, Texas added a million jobs, Arizona added hundreds of thousands of jobs. So to eliminate the one thing that works, notwithstanding its problems, criticisms, other agencies that we're not responsible for, there are certainly problems, at least it generates jobs. If we want to continue that, and there's work to be done and even on a smaller scale there's important work to be done. So we have this budget proposal going in the next year and we know that there's still threats from the state. All sorts of issues, but there's still work to be done. And we've got a great professional staff

that have done and continue to work despite the state's efforts. And I'm really proud of our staff. Because not only the last 40 years of efforts, but the last six months, in particular, to continue to work, and deliver, and do the job, move the projects along, and the things that are important, got done. Notwithstanding the disruptions caused by outside factors. And with that I want to turn it over to Harry who's going to kick off the presentation of the budget.

>> Harry Mavrogenes: Thank you, mayor, members of the board. Again, as the mayor, I appreciate very much what the mayor has said about our role, and what we have done. And I will caution, again, that the threat from the state is very real. The governor has redoubled his efforts to try to eliminate redevelopment. And we are still not out of the woods. Nonetheless, we are preparing a budget of about \$18.5 million in capital projects. Most of them of course are carry-over projects from last year. And we do have a little bit of additional funding for job creation. But it is all predicated on us being able to stay out of the clutches of the state. Very quickly: I'm going to start off the presentation and then I'm going to ask both David Baum and Richard Keith to assist in going through the details of the work program. Our overview, of course, three decades of programs and projects with significant returns. The maps highlight the project areas that we have, downtown, industrial areas, the business districts and the strong neighborhoods. We've invested tax increment revenues in the categories of jobs generation, housing stock, public facilities, capital infrastructure, and neighborhood revitalization. Which has made a big difference in the city. Over \$3 billion has been invested in the community which has generated \$19 billion in private investments. And each dollar that the agency invests has leveraged up to \$7 in private investment. Private sector jobs were created as a result of our work. 25% of all the jobs, over 100,000, our activities generated sales tax which helps the City's General Fund immensely, \$31 million annually per our calculations and that's about 30% of the city's total. Housing, through the housing department, has invested over \$835 million in affordable housing and rehab projects. The agency tax increment of course funds that activity, and the housing stock for affordable units has increased by over 21,000 units. We've also assisted in the City's efforts as well over \$330 million including debt service and city support services over the last decade for the city, the county, because of our pass-through agreement, has received over \$300 million. And of course the state has taken over \$118 million since 2003-4. And that of course has led to some of the difficulties that we have had. I'd like to have Richard Keith now go over quickly the work program highlights.

>> Richard Keith: Thank you, Harry. Before I present the work program I'd just like to say that on behalf of the agency and the business development team we want to thank you, the board and mayor, for your extraordinary support of the agency in general, and our direction towards improving the economy with the emphasis on job creation, and being available, always available for events and openings no matter how large or how small. I think it's important as Councilmember Herrera said during the CED presentation the other day and the exchange with Kim Walesh from OED, that it's important for -- with the contracted satisfy, that we utilize your staff and your office to the best of ability. And we appreciate that too. And as we go forth and hopefully with the retention of the agency, and working with OED, we can do that on a more active basis. To that end, the agency is focused on the adopted economic strategy that the mayor and council put out to attract driving industries, emerging technology and small businesses. And to certainly help reduce the uncertainty of the development process. And we've worked very hard with OED and the Planning Department, to continue all aspects of those four initiatives. Specifically, on business attraction and retention, and these are just the figures from the Redevelopment Agency, not compiled with OED. And of course we do much of this together, as well. We had 152 retention visits this year, 57% were in North San José. 18% were in Edenvale, 14% in the downtown, and 11% in Monterey corridor. We also had 38 attraction efforts which a little less than half were fruitful in bringing in companies into San José. Another active part of our retention visits is business appreciation events. We had a very successful event with Brocade that the mayor and Councilmember Chu attended this year. We had also a successful event in Monterey corridor hosted by Grubb and Ellis and we continue, will continue throughout the fiscal year and next fiscal year to hold major appreciation events where possible. A little more detail on retention and attraction of jobs. We know our job 1 is attracting jobs and doing everything we can to help the revenue side of the deficit equation. We wish we could do more on the cost side but the revenue side we'd like that to continue. We've retained Brocade, SunPower, Sun Pods and attracted Maxim, C8 Medisensors, Hospera and Solfocus, adding over 5,000 jobs and with a potential to grow 7,000. Not on the slide, I looked up what we have done. Over the last four fiscal years from fiscal year '07 to '08 through the current fiscal year, we funded 16 companies. With -- valued at agency funds at \$11,600,000. That's going to net -- that has netted 4500 new jobs. Also, on our list of those 16 companies, I went back to the largest lease for 2010, in the whole Silicon Valley, was Stion, at 263,000 square feet. And the largest single land acquisition was Maxim at 435,000 square feet in 2010. So again, of those 16 companies, 16 companies I want to emphasize all are in place, none have been --

have gone out of business. So we've done our due diligence. And we're really proud of that fact. And hopefully, they can move forward, and as even increase their new -- net new jobs. Little word on the enterprise zone. The enterprise zone program which we are thankful that the state and governor has not eliminated, although they anticipate some reform, we issued almost 2,000 hiring tax vouchers, to 248 businesses in 2010-11. A record number are coming in. I don't know if that was a threat that the program would be eliminated or people have really seen is value in the program. We are getting about 240 new voucher requests a month right now and it's actually difficult for staff to keep up with that program, but we're doing the best we can. We've also assisted in the grand opening ceremony of several companies: Power Integration, Equinix Data Center, Shocking Technologies in Edenvale, Brocade of course, a new campus, and tomorrow, we're going to help open with the mayor's assistance F-5 Networks in North San José. I would quickly like to discuss a bit about our incubator program. I know it's received an inordinate amount of attention in press lately. But the program is successful. We've spent \$20 million since 1994, and have 325 graduate companies. Not all of which have stayed in San José. But they've stayed in the valley. And the peninsula. And created 2600 jobs. Currently, if you look at the number of tenants in the program, of course in the environmental business cluster, U.S. market access center the San José biocenter, we have 71 current tenant companies, 338 employees, and 74 affiliate companies. The U.S. MAC and the biocenter are completely full and have actually a waiting list to try to move forward. The U.S. Mac we're actually trying to locate additional office space which unfortunately still isn't difficult in the downtown because we still have a pretty good inventory for their overflow, and the biocenter has a waiting list of about 30 to 40,000 square feet of space. We have spent, in this fiscal year, \$838,000 on leases for the incubator space, and that includes the entrepreneur center. And it also includes the biocenter in South San José. We are looking towards whether the agency or the city moves forward, more for sustainability in the program through, we're going to work towards rent reductions, but also, in talking to the two foundations, they seem to be prepared to move forward and to take a greater role, in the payment of lease payments, as the years go forward. So Kim Walesh and I have been working very hard on that model, and they seem very confident that if given the perspective and a certain amount of time that they can achieve it. Especially moving forward for the U.S. Mac, the market access center and the biocenter, which are doing very well and whose revenues have increased dramatically and are basing more of their revenues less on their rent and added-on sponsorship programs and special programs. I'd like to move forward now on some of the improvement. Even with our very modest budget over the last fiscal year, we've spent about

\$20 million on capital expenditures for actual projects. Some of which include the civic auditorium where we spent \$12 million for structural upgrades, new elevator, fixed seating and ADA improvements. From everything we've heard from the San José team, is that they've attracted and have more, better users as the year moves forward, involving Tommy's coming to town, so if you are a who fan, please come forward, please attend. For new retail, we've had major successes with Los Gatos brewing company, whole foods in district 10, Sitori as well as many others. Of course at first has opened up and is a significant resource for North San José and is doing well. If it does half as well as the market center has, and some of our other major retail facilities like plant 51 which I know is not in a redevelopment area but it's -- for several years ago, you could -- the parking lot was wide-open. And now it's very difficult to find a space. And the attraction for the market center, and some of our other major retail centers, is phenomenal. We've also had some successes with our facade program in keeping and retaining new and attracting new businesses on the Alameda. The OCALA center just was remodeled and opened and will retain all of its tenants. Next slide, please. The Edenvale community center of course, we put in \$18 million, \$13 million agency investment and \$5 million city investment. And it's a remarkable facility, like many of our hub locations for our community and senior centers. San Pedro square is next up and Nancy Kline and I have worked and some of our staff and as well as the planning staff, have worked very hard to get this facility open, as soon as possible, with all its amenities, and the agency invested \$6 million of that, some of which is loan financing, other is grant. So we're very excited about the prospects for retail downtown and our major facilities. As a note, we have seen many of our vacant large inventory buildings that throughout the city finally being leased up. Like the old circuit city and expo sites, we think that's a good sign. Retail is a tough market right now. On the other hand, we have found, on the industrial and R&D side, great deal of activity. We just met yesterday with a billion dollar company that wants to have some back of house activity in San José for the first time, taking down 75,000 square feet. So we're very excited about that. But all the discussions with the brokers, and even in the paper this morning, there seems to be a great deal of acquisition of properties, and they wouldn't be doing that if they didn't think the current outlook was good. We know North County and Palo Alto is busting at the seams and they're charging five and \$6 a square foot rent. And so some of our inventory is moving, it will move out. One last point I'd like to make about industrial inventory. We've seen it with SunPower, and others, property owners are reinvesting in some of the buildings that have been long vacant, that at one time they thought they would demolish. And we think this is another good sign for, especially, Rincon and old Edenvale that has some older stock. And we believe

if some of that inventory is taken up, it's certainly to the betterment of the city. And our tax increment and sales tax as we move forward. Thank you, and we move forward, I'll turn it over to David.

>> David Baum: Thank you, Richard. I'll take a few slides here to review the assumptions on tax increment. And this slide you've seen many times before. It shows the growth in tax increment, and sometimes, a few declines over the last 30 years. Over the last ten years, we've had a little more volatile tax increment where you've had a couple of dips in '04, '05 and '05-06. And then we had a dip of 8% this year. And so that's been hard we haven't been able to use this tax increment to issue bonds which is the life-blood of our redevelopment program. We haven't issued any bonds since 2008, and while we work through this recession. And really don't forecast bonds for a while and certainly not next year. But the hope is that we'll return to this trend of growing at about 7% per year over the last 30 years. And this slide shows where we might go. But right now we're in a down cycle. Next slide, please. The reason we're in a down cycle, mainly, is because of assessment appeals. And this is a slide that is a little counter-intuitive to the previous slide, because the up bars in this slide are bad and the low bars are good. This year, the main reason that we had a \$1.5 billion drop in our assessed value was because we had a \$1.2 billion increase in assessment appeal reductions. And the purpose of this slide is to show how, while the assessment appeals can reduce assessed value, they also can restore assessed value, as the market improves. And we have seen recent improvements in the market. For '11-12 we have been trying to figure out where the assessment appeals will be headed. It may go up again. We've met with the assessor the last two days to try to figure this out, and just to put it succinctly, the assessor is more confident than he was six months ago. So we take that as a good sign moving forward. Next slide, please. One of the reasons that we have some positive feeling about assessment is, the recent projects that have come online, either through new construction or sales. Mainly, sales. And of course, Brocade and Equinix that have been previously discussed by Richard are the main projects. So for example as we look at this, there is \$360 million of new assessed value that's possible for the upcoming '11-12 roll, and the big one is Brocade. The \$158 million of incremental value represents what was on the roll for '10-11, versus what could be on the roll if the assessor were to enroll the entire, say, \$278 million of new value that Brocade has announced. So that would end up with an incremental increase of \$158 million. And that's similar for the others, as well, it's just the incremental increase which would be a big boost to our tax increment if it comes to pass. Next slide, please. And then finally we've been tracking the monthly

assessment reports from the county assessor which indicate that real property for the redevelopment areas is down about 4% year-to-date. Four to 4.2%. Real property represents 75% of the assessment roll. We're not sure what is going to happen with unsecured property. Although there are positive signs that there's some new employment and some of these new leases that are getting signed such as you Maxim and intermolecular could add personal property value which could offset the negatives we've seen in the real property secured value. So for next year we're forecasting \$175 million in tax increment which would be down another 5% and then we hope for a more positive return to growth in the future. And I'll now turn it back to Harry. Oh, actually one more slide here. So what are we doing to shield ourselves from this potential, you know, further drop, if it's more than 5%? Well, we figure that a 1% drop in property taxes is a cost to us of about \$1.5 million. And so we've put an economic uncertainty reserve in this budget of about \$6 million so that we could withstand, say, another 4% drop and still break even at the end of next year. So I'll turn it back over to Harry now.

>> Harry Mavrogenes: Thank you David. And yesterday when we met with the assessor two take-aways I got from that, one is he feels we've hit bottom and we're basically starting on our way back up. But also, that there was a comfort level that -- with his staff that the 5% number we have forecast should be pretty close. So we'll keep our fingers crossed. We won't know that number until the first week in July so unfortunately we're doing the budget this year early so we're projecting and we're hoping that number is there. But as David said, we're leaving ourselves an ending balance which could help absorb any additional reduction if that came to pass. So basically, in our budget, we have the various revenue sources. We started with a fund balance, the increment that we project, interest income and other miscellaneous revenues. As you know we've been very active in selling land this year which has helped the bottom line of the agency, as well as put property back on the tax rolls. Our challenges of course, the CRAF take away which we just finished paying. Which we have -- it's owed money that we have to pay down the road. Currently, in the fifth year, out, we start to pay that back. There are efforts, statewide, to try to move that period out to a ten-year period, as has been in previous CRAF takes by the state. But that needs some work and that's, of course, not guaranteed but it has been mentioned as a legislative priority of the city as well to see if we can move that payment out. The assessment roll of course overall declined by 2.43. Ours was higher. And then the increment of course number is down to 184 this year. The statewide issues are still with us. The state claims they would save \$1.7 billion, CRA, California redevelopment association,

has disputed that number. The league of cities have disputed that number. Agencies have substantial debt that they've incurred because they've been doing their jobs as we have. And in addition to that, the take-aways from the state leave that number a lot smaller. So even if they do eliminate agencies, there's no way that that number will be that high, although they've tagged that in the budget. We have been working with CRA and the league on reform plans. There's two pieces of legislation that have been moving. SB 450 with the housing groups, for housing reforms, and SB 286, which now appears to be a two-year bill, although there maybe other legislation that appears to take up the reforms which I believe we shared with the Rules Committee yesterday, as efforts to try to fix whatever abuses there are statewide, as opposed to eliminating agencies. And this is a list of some of the reforms. Basically, again, a lot of these abuses have focused on cities in Southern California. Blight definitions of course, we've been very careful with ours and have double and triple checked the evidence of blight in our areas, particularly the neighborhood areas that we've done of late. Limiting the size of redevelopment percentage in some cities exceeds, in some cases, 50%. So this is an effort to shrink the footprint, if you will. They're one of the proposals that is apparently got some legs, too, is the future creation of project areas, would require that school districts tree taken all their property taxes. Therefore, increasing school funding and not impacting schools, which has been one of the major issues. Performance-based standards, much like we have done before but also focusing on some of the state priorities, increasing accountability, more reporting standards, and then annual performance audits by the state. And then prohibiting the use of funds for non-redevelopment expenses, and overall, decreasing the footprint in the state. Our one-year capital budget that we've given you, I'm going to go through quickly the source and use charts which are in your budget packet. But basically, it shows we are starting with a beginning fund balance of \$75 million. The -- this current year, that's carried over into the next year of the budget that we're focusing on, \$30 million will be brought forward. The increment we're showing reduced again by about 5%. To \$175 million. We are not projecting any supplemental assessments. We are projecting some additional reduction in T.I. through the year, because of the lateness of some of the assessments. And it basically shows some assumptions for revenue including land sales. We have several parcels that we're still contemplating selling, that gives us a total use of funds, source of funds of \$220 million. Of course our major expense is the tax allocation bonds and our existing debt listed in several categories there. We are mirroring what is shown in the city budget, where the city is now proposing to pick up \$10 million of the convention center debt, and also, the \$3.4 million in parking garage debt for the fourth street garage will be picked up through the parking fund, as well

as picking up some HUD 108, you see the dollar amounts for HUD 108 reduced assuming the CDBG fund this year picks that up. That then goes into the capital program. We're showing \$18 million in again, mostly continuation of existing commitments, and projects that need to be finished out. That's still a significant list of projects. We're showing a very small operations budget, which significantly -- it's about 1/10 what it was the prior year. And then some additional obligated payments, resulting in a balanced budget that leaves an economic uncertainty reserve as we call it of \$6.5 million which would hopefully cover us in the event that the increment numbers come in even lower. The -- that's sort of the assumptions in the budget there. And then beginning fund balance, shown here. Here are some of our pie charts that show how the money comes from primarily tax increment. And then the use of funds, again, a large portion of it being used for debt service, and other obligated payments. So this is a quick summary of the budget, the obligations, the grant funds that we have that are restricted to specific projects and then basically, the new money, if you will, we're proposing a job creation and economic development fund of \$1.7 million. And some funding for litigation services as our litigation support is also significantly reduced in the budget. Then moving forward, in terms of the direction, the Mayor's Budget Message gave us several major directions in terms of how we move forward with a smaller staff. Paying our contractual obligations, retention and recruitment of businesses, activities that generate tax increment, and of course, the incubator program. Now, to accomplish that, we are proposing an organization chart that is a total of eight people. A director, with three basic groups working under it, and under each we've listed the categories of activity, with staff that would continue to work on those areas. So you have basically one director, one executive assistant and six project staff that would take care of these various areas. The business outreach, retention activities, very, very critical. We have some very competent staff that can continue that. Managing our existing DBAs, managing our assets, very important, is that we still have a large list of assets that need to be managed. Some of them need to be sold. And we still have contractual obligations and DDAs that need to be managed and then the financial side, there are a number of major reporting requirements to the state, audits, year-end financial reports, our gut management working with the county controller, the assessor's office coordination, a whole list of activities that need to be done. I believe that staffing level will really be the key to keeping this program going. Now what I wanted to also let you know as a board is that in terms of myself, it was almost 40 years ago where I began my professional career with the city as a young planner. I've served San José at the very best of my ability and have enjoyed a very exciting and fruitful career, both during my initial stint

through 1990, I did leave once before and since my return in 1998. It has been a privilege to work with smart and passionate professionals at the Redevelopment Agency over the years. And to have been able to follow in the footsteps of the great and visionary Frank Taylor who led the agencies for two decades. I will always be grateful for the support and leadership of the mayors that I worked for, Mineta, Hayes, hammer, McEnery, Gonzales and Mayor Reed. And the board members that have guided the agency's investments. Together with our private sector and city partners we transformed the skyline of San José and gave the city a distinctive place among great American cities. Redevelopment is the most significant program that the state of California has created for economic development, and we have used it well. I've also had to be a vigilant advocate to save redevelopment from countless raids and near-certain annihilation by the state. The state raids and the recent economy have taken their toll on this agency. And I commend the mayor for his direction to keep this agency operative. And very finally focused that it will survive the challenging years ahead and I would urge the board to adopt his recommendations. The mayor and I have worked closely to develop a small and effective organization for the future of the agency. I do not believe my skills are needed in that small group and I've chosen to move on. I'm very supportive of this organization chart moving forward. My last day here will be June 24th of 2011. I will continue to keep an active role with the Southern California redevelopment association to advocate for redevelopment reform and survival and I will look for other professional challenges in the future. As a resident of San José I will continue to stay engaged and look for the best interests of the city. I could not have asked for a better or more dedicated group of bosses. I know that you all care deeply for the city and will continue to fight for the best of our citizens. I want to thank you for the privilege of serving you and the citizens of San José. That concludes my presentation.

>> Mayor Reed: Thank you, Harry and thanks for your service. I didn't realize it was 40 years. It goes way back. And you have enormous amount to be proud of, and we've appreciated your work, your service, and the many, many accomplishments that the agency has achieved under your leadership. Thank you very much for that.

>> Harry Mavrogenes: Thank you.

>> Mayor Reed: I would like to talk about going forward, as I mentioned, this is the sort of the back to future moment when we are back to the staff the size that Frank Taylor started many years ago both in budget and in people but it's a much different agency and we have much different responsibilities now than we had in the beginning because we have a couple billion dollars worth of investment in tax increment bonds and things like that. And so there's a lot of work to be done, that has to be done, no matter who's doing it. The work has to be done. And we have to focus our efforts to do all of the things that we've outlined in the memo that the council approved meeting our contractual obligations, really important because we got lots of bond holders that we have to deal with. We need to focus our efforts on generating tax increment. That's good for the agency, good for the city. And to keep and attract our driving industry companies that will help generate tax increment as well as jobs. So when I look at all the work that needs to be done, eight people is a very small team. And it's quite clear that we have to spread the work around among not just the agency staff, but the city staff. And we have to have a different model going forward. It has to be a model of collaboration, cooperation, partnership. At times in the past, the agency and the city have been competitive, they've been on different teams from time to time. But we have come together over the years and done many, many things together, as city and agency staff. And so now it's time for the all-star team so whatever we did in the past we have to come together as one team. And in terms of handling that going forward, the City Manager, the executive director, City Attorney and I will be weekly looking at that collaboration between agency and city staff. We cannot allow this transition period to -- allow things to slip through the cracks because there's so much important work that has to be done. And I think that the finance staff of the agency staff and the finance staff of the city have to work together not just weekly, probably daily. Because there's really important work that has to be done there. The economic development staff, the agency staff and the city staff, it has to be one team. And I anticipate you know that they need to be meeting weekly if not more frequently than that and working together. Because there's not enough resources in the Office of Economic Development, there's not enough resources in the Redevelopment Agency to do all the things that need to be done. So working together is the only way that that can be successful. The same thing with the project management, because there are projects, agency projects that still need to move forward. We've got great talent in the city, great talent in the agency, but they have to collaborate together. There can't be two different work plans, there really needs to be one work plan to make all these things happen. So I'm going to ask the chairs of the economic development committee and the finance committee to make sure that as they're dealing with

agency-city matters that we get one team report. Not agencies doing this and the city's doing this, and to focus those efforts to make sure that we do have an all star team that's working together to put all of the things that we're asking them to do over the goal line. Or I guess in the net would be better these days. So I think going forward, the people that depend on us that have contracts with us that have invested their money in our bonds need to be reassured and should be reassured that we're going to manage this well and even though they may look at the agency and see only eight people and wonder how we're going to manage all that they need to look at the city and see not just the agency part of it but the entire city being able to help. So if it turns out that we have scaled this wrong, and eight people is not enough to do the work, the work is still going to get done. Because Dennis is going to take up some of the clerking work, Michelle McGurk is going to help on communications, I.T. and HR and all those things will be done and so that people understand that we're scaling this on a size that we think is appropriate, with an operating budget that is very small, but we do have many more resources we can bring to bear to make sure that the work gets done and that we will all pull together and make sure that we meet all of our obligations, implement the contracts, finish the deals, cover the debt service, and all of the things that have to be done. So we've got great people working for us. And I think as everybody sort of starts focusing on a common work plan and common objectives, we're going to see a great teamwork as we have many, many times in the past. So a couple of things on the budget specifically: One of the things that you touched on Harry is the work that you've done in the last year to liquidate contracts and to close out things. I think there's \$4 million that you're able to bring back for the budget.

>> Harry Mavrogenes: That's correct, mayor.

>> Mayor Reed: That's good work, that will continue as things happen. There are a couple of projects that are out there that we're not certain about. One is the Ace Charter School. Can you just bring us up to speed on where we are with that? We've got a \$950,000 commitment I believe.

>> Harry Mavrogenes: We have a commitment. Tom Murtha that may be able to address the contractual aspects of that. They have been in contact with us, they have some milestones in June to meet.

>> Tom Murtha with the general counsel's office. They are supposed to have financing in place by you June 30th. As you may recall they didn't have CEQA. There is a CEQA issue, which I have a meeting this afternoon with agency staff to discuss. The contract itself was not supposed to be effective until they completed the CEQA work. We have to look at where they are with that issue.

>> Mayor Reed: Okay but that's moving ahead, hopefully there will be a successful project.

>> We're hopeful yes.

>> Mayor Reed: The other thing I wanted to talk about in the proposed budget is the money for economic development. Stion, Solopower, Nanosolar, SunPower were projects that the agency was -- and the city staff were involved in making sure came here, stayed here, grew here. \$350 million of investment in equipment alone for those projects. So building upgrades, building investments, equipment investments all generated tax increment revenue. Brocade is generating probably more every year, in tax increment revenue than the agency put into the project in one form or another. So we can invest, of course, cautiously, as we have in the past, but we can generate tax increment revenue relatively quickly. Especially for all those empty buildings out there that we hope people will move into. There's no long development process. They move them in, fix them up, start putting \$100 million of equipment in there and it generates tax increment. That's vitally important to the agency of course but to the city as well because we've got debt service like the convention center that we need to cover and the quicker we can increase the tax increment the quicker we can get out of the problems we're in. So that is a very small budget, but it could be focused in a way that will generate a lot of tax increment. I think that's a wise move for us to do that. Because we have clear track record of the projects that we've been in and the tax increment that they've generated with a very quick return on our investment of one to three years, in most of these instances, so I think that's a really important thing to continue to do. And then most of the budget, total budget is just finishing projects that are already underway. We don't have a lot of discretion on those because we're in the middle of deals, in the middle of projects and transaction. That takes up the bulk of the spending and the beginning balance really just represents almost all of that represents projects that are underway. We just haven't finished spending all the money on. So it is a very small budget, a very slim budget, small staff but we have capacity to grow. And

even a small staff can be very effectively, as we proved in the past. So I want to thank the agency staff for all the work that they've done. It's been a great result for the City of San José. Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. At I sat here and listened to Harry deliver his remarks I really had to stop everything and just listen. And focus on what he was saying at the end because I feel like it's a huge moment when Harry who's been with the city for 40 years and led this agency is now going to be as he prepares to leave, his comments, I felt it was a historic moment. And I just want to thank you Harry. I haven't been here very long but I don't think you have to be here very long to realize how important the RDA has been and the kinds of accomplishments, job creation, the change in San José over the years, that has happened because of RDA. And I just want to personally thank you for your efforts. Your efforts and the entire RDA staff, for working very hard, and diligently, to make economic development happen in San José. And I'm sure you're going to be hearing lots of things from a lot of other folks that I didn't want to let the moment go by. I just wanted to ask staff to answer the question. The state has evaluated and this process of looking at redevelopment, evaluated various redevelopment agencies. And could you discuss a little bit how San José was evaluated? And I know, I can't remember now if it's an audit or there's been some --

>> Harry Mavrogenes: It wasn't technically an audit. And -- it was a look short of an audit, I forget what they call it but an evaluation.

>> City Attorney Doyle: Well it's short of an audit.

>> Councilmember Herrera: I remember hearing the words that San José was proclaimed as one of the best redevelopment agencies in the state. And I just wanted to know --

>> Harry Mavrogenes: Really all in all they were -- they couldn't find anything really of major criticism. There was a question of a timing of certain reports. David may be able to jump in and help me on that. But the one issue they took up on was the payment of salaries of mayor and council. But we were able to justify that. But all in all, I think

they showed that we spent our money wisely. And there were some abuses they found in some small cities. But that -- that stuff we're trying to deal with now in reform legislation.

>> Councilmember Herrera: So I think it's just important at this moment as the mayor said back to the future and I really appreciated the mayor's comments that we have really accomplished a lot and San José is one of those agencies that can be looked at as a leader in a city that's done things right.

>> Mayor Reed: If I could just add to that.

>> Councilmember Herrera: Uh-huh.

>> Mayor Reed: Maybe people have heard this because I've said it before. But when I was in Sacramento with the big ten mayors meeting with the leaders of the legislature, the speaker some Perez, says San José has the best Redevelopment Agency in the state. And if everybody else ran their operation the way San José ran its redevelopment operation, we wouldn't be talking about eliminating agencies. There are problems in other agencies, we're not responsible of that. We can be proud of what we've done. Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor, I think that's where I heard that, that was your comment. There are problems now we are trying to work that out but we should not let the progress and the achievements go unnoticed here. So in terms of implementing -- in terms of what's at stake right now and whether RDA continues, I wanted to ask, and whoever wants to answer this, do you see a way to implement the redevelopment reforms and overcome this current argument that I'm hearing about prop 22, that because of prop 22, that redevelopment has to end and a new agency has to be created? Because that's the argument I'm hearing, that it's getting made at the state level, that prop 22's actually the reign why now we have to end redevelopment and start over with a new agency. Can we overcome that in terms of moving forward and not killing redevelopment?

>> Harry Mavrogenes: I believe we can because CRA has offered alternatives, in terms of some financial report for, voluntary financial support for the state, where agencies can opt to give some money. Prop 22 is an obstacle

to the state in general. And I think one of the efforts you all have to look out for over the next year is an attempt to undo prop 22. That will allow the state to access all local moneys. Right now there's a fire wall that's been built.

They're upset in Sacramento, because that fire wall is effective. They can't get our money, agency or city, unless we voluntarily allow them to have some. And as long as that's the problem they're going to be chipping away at it. But I fully expect the state to go after prop 22 if they succeed in eliminating agencies. They can eliminate us because we're a creature of the state but they can't touch the money. That's the problem. And they're very frustrated about that in Sacramento. Rick, do you want to --

>> City Attorney Doyle: I generally don't like to engage in the political debate, but I feel compelled to say that when the voters of the State of California pass a constitution amendment that protects local revenues both the city and redevelopment and the state comes up with a decision that says well or the governor at least that we need to end redevelopment because the voters have said you can't touch these moneys, there's something wrong.

>> Councilmember Herrera: Something fishy with that argument. So -- that is the argument that's being made that in order to achieve reforms that actually prop 22 stands in the way. So I'm raising that because I think it's important --

>> Harry Mavrogenes: And we have shown that there can be reforms and relief for the state without eliminating us.

>> Councilmember Herrera: Okay, that's good news. And I was at Amgen yesterday, the Amgen tour of California and I had a chance to speak with senator rubio who's involved very much in this and he indicated his -- he felt positive that redevelopment would be continued although he did mention this argument about prop 22. So for whatever that's worth. I thought I'd pass that on. So finally, I just think we have very few, as has been said, we have very little, few tools, to help us in economic development. And redevelopment's one of them. Enterprise zones, we need to continue to fight for redevelopment to exist and I look forward to working with the redevelopment team, with our economic development group in the City of San José with Kim Walesh's team. I

think together, and in support of the council offices, we can make a lot of things happen, we've got a great team here. We've got to keep moving forward on this to achieve our goals. Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed and Harry again thank you for your service. I won't go into all the things that the agency's done but I think San José is a much different place economically because of it and for all the staff and I know you're going to be operating on a skeleton crew and I think the priorities you've set forward on the council and the board has set up as far as economic development are the ones that we should continue with. Question I will -- we will hear, prior to this budget being solved, that there is this money sitting around that could help balance the budget. That there's this extra cash that could you pay back, the city and the city could pay back that, could we kind of get that topic discussed and fully vetted right here?

>> Harry Mavrogenes: Well, I'll do the best I can. As you can see with our budget, there isn't a lot of money there. And it's tied to existing commitments. I can go back to our source and use sheets. We have you know the beginning balance is tied to existing obligations, the increment, if you go down to the second half of this page, you can see the debt service that we have to pay so there really is no extra money around.

>> Councilmember Oliverio: But Harry, they say there is.

>> Harry Mavrogenes: Point me to it. We have some additional land that's tied up with J.P. Morgan. We have some obligations to the county. There really isn't a resource here that could be brought forward.

>> Councilmember Oliverio: Okay, well, thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I just wanted to thank hear, and RDA staff and show my appreciation. I really enjoyed working with all of you on a professional base as well as a personal base. Thank you very much and good luck.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Well, I'd like to begin by keeping Rick engaged in the political thing. This is refreshing! And that is, that instead of going after the oil severance tax which has provided for a lot of filthy rich billionaires who don't live in California, RDA became the target. I'll never be able to understand that one. But I would like to begin that by saying that, I don't know about SB 450. Who is the senator that is sponsoring that, anyone know?

>> Senator Lowenthal I believe.

>> Councilmember Pyle: I remember that now that you mentioned it, I remembered it at one time but now I don't. What is the formula for tax assessment? In other words, away will trip Larry Stone into saying okay, it's time?

>> Harry Mavrogenes: Well, they -- they look at a number of factors, always, they look at new development. That's obviously a trigger when a project comes in. We work very closely with Larry's staff in the past to we actually bought equipment K computers and touch are stuff to them get that stuff on the rolls as quickly as possible. The other one is the evaluations of properties. There are a lot of appeals because values have gone down. Some of them are more significant than others. And that's every year, they have to evaluate each of those appeals. That prop 8 appeal is once -- it's good for one year. So they go back and look at it again and if they feel the property's gone up in value they ratchet it back up. And when we showed that yellow chart a little earlier that David had, it really shows that those can come back, and they will over time, but we don't know how quickly. I can tell you that Mr. Stone is working very diligently, understands the market, keeps a close pulse on it. And he will make the adjustments. As you can see historically from the last recession, those appeals have gone down. So

they've brought back into market, and the reductions have become less and less, and of course now they're going back up a bit but they will again come back down. So I think they're being helpful and we're doing everything we can to communicate with them to do that.

>> Councilmember Pyle: Okay so we have no time line?

>> Harry Mavrogenes: No.

>> Councilmember Pyle: It's hard to run a budget when you don't know when my money is going to come in.

>> Harry Mavrogenes: There is two factors. The snapshot that the assessor typically takes is in January, at the beginning of the year, and you get your pass in September, so we lag behind. And we'll always lag behind. And if you look at the past where we've had the dips, the dips have occurred after the market starts going down. And then they don't come back until a couple years later. So we'll lag behind by about two years.

>> Councilmember Pyle: Okay, that's not what I wanted to hear but thank you for that information. Has there been any kind of linking with Sacramento? Betsy is not here so maybe she can weigh in on this later.

>> Harry Mavrogenes: I can tell you Roxann has been incredible as far as following up, keeping up with current legislation, helping us rework, she's working hand in hand with CRA, I know she's been very helpful to the housing department in the housing related bills. So I think we're very well served in Sacramento by the staff we have.

>> Councilmember Pyle: Absolutely.

>> Harry Mavrogenes: And she responsive from my perspective. If I call Roxann 7:00, 8:00 at night, she's there, she's on top of things and alerts us to things very quickly, also.

>> Councilmember Pyle: And it probably wouldn't hurt if we came people we have communicate with.

>> Harry Mavrogenes: It always helps when they hear from elected officials. You're more effective than staff is.

>> Councilmember Pyle: And to that point, I will call my personal representative. Harry, I'm really sorry to hear that you're going to retire. I think part of this is a bit altruistic on your part in that it lessens the load for the people who will be left here in reference to the budget. I just juxtaposed that with all that you've done for the city, it's really been unbelievable. And it makes for a very proud, proud lineage for all of us. I would like to say, though, a little bit of a shocking thing that I discovered yesterday. I went to the doctor's office and one unfortunate magazines that was there was actually a booklet. It was all about Washington State. So I went home and I googled California. And we have the same kind of thing which I've ordered but I won't get it for a month. And then I looked to see who was in it. I looked at that time Bay Area because you had to go by areas of the state. San José was listed last! And there wasn't one single picture that referred to San José! There was nothing. It was it's no wonder we don't get much tourism here. It's no wonder at all. And I know -- I'm not trying to point fingers. I'm trying to bring forward a situation that we really must remedy quickly. And to that end, Harry, if we could use the Bazillions of pictures that you've accumulated over the years, towards some of that aim, I was hoping that that would be a suitable thing. We won't keep them forever, but to be able to use or duplicate them, so that they could be used to promote -- to promote our wonderful city. We can't keep it under our hats forever. We need to let people know what we have here.

>> Harry Mavrogenes: Thank you.

>> Councilmember Pyle: Thank you. I hate to end on such a sobering note, but I really felt compelled to bring it up.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I want to thank Harry for his service to San José, and I also want to thank him for his leadership, and my appreciation goes back to a staffer working for him and also now as a councilmember serving with him and board member. So thank you very much for everything I'm going to keep it short because I could come on and on and on and I will hopefully save that for a lunch before you leave. So thank you very much. I have a few questions on the presentation, before we move on. On the biocenter, how we doing in terms of vacancy and space there?

>> David Baum: Councilmember, as I said on the presentation, we are full, the biocenter is full and actually has a waiting list. One of the things we are trying to achieve with some of the money we have available is, we mission West just signed a lease with tandem which was if biggest user in terms of square footage in the existing facility and they're going to move downstairs. They won't be technically part of the biocenter, it's a private deal. But that does two things. It opens up additional space within the biocenter, that can now be leased at a higher rate because as every tenant moves in they have increased rent rates and also they'll be an affiliate company that will use some of the biocenter equipment as many unfortunate affiliate companies do so that is increased revenue. We actually have a waiting list is what --

>> Councilmember Rocha: I was going to lead in to kind of the plan for the first floor and expansion and how that's going to play out and what our room is on that and generally the status. So is tandem going to take the entire first floor?

>> David Baum: No, they're going to take about two-thirds. That's a private deal. Unfortunately we have no money to do the wet lab and dry lab space needed to do a second floor biocenter.

>> Councilmember Rocha: Is mission West considering finish -- have they considered finishing the rest of that third that's remaining just as far as office space and might open up some space above? Has that discussion been part of it?

>> David Baum: We've broached them on it, but as far as I know they do not plan on doing that right now.

>> Councilmember Rocha: Thank you. The slide number 19, assessment lists for significant projects. The reference to the Brocade mixed use. So I'm assuming when it says mixed use that's also inclusive of the retail.

>> Councilmember Rocha --

>> Councilmember Rocha: That's the entire at first retail all the target and everything?

>> David Baum: I believe the Brocade project amount there is for the Brocade campus itself, the 565,000 square feet and I think when you're referring to mixed use you'd be referring to the Sierra hotel and the Target. Because I think as a package those were developed together.

>> Councilmember Rocha: And what about the hotel is still considered part of their plan and that's going forward?

>> Harry Mavrogenes: The Marriott courtyard I believe is the other hotel.

>> Councilmember Rocha: Okay.

>> Harry Mavrogenes: As far as I know that's still moving ahead. Nancy confirms that, yes.

>> Councilmember Rocha: What about phase 2 of the Brocade development? Haven't heard anything from Brocade on their own plan moving forward?

>> David Baum: That is correct. We haven't heard. The only thing is we still retain those funds that would be triggered when that moves forward so the only benefit it's encumbered, of course, we'd derive interest.

>> Councilmember Rocha: Okay, thank you.

>> Mayor Reed: I could add to that, we did talk to Michael Kletko, the CEO, they're out of space, they're growing. And I said, well, when are you going to start the fourth building, we've got a pad there, let's go. He didn't give me a date.

>> Councilmember Rocha: That's the questions I had just the general ones. Of course I'm interested in the status of the land sales on some of the property we put on the market. If you had some status I'd appreciate it.

>> Harry Mavrogenes: Okay, the most recent information, we have closed escrow now on the Fairmont retail space with Don Imwalle, that's about a \$3.9 million sale. We are in escrow with Sobrato on the parking lot South of tower 88, at 5.2 million. There's an access issue we're trying to work out but they're very close. Fountain alley, likewise there's a small easement that's being worked out, that's 6.2 million and that is readying to in escrow. We're also wrapping up the small retail parcels, along the paseo between third and fourth street where Togo's and some of the other retailers are, for a \$1 million sale there. And then we just put out subject to some issues being resolved, the parcel we had put out before, the lot across the street, there's been some strong interest in that, so we're -- we're looking at that going out now. But there is a HUD 108 loan issue we need to resolve, and we need to place that collateral somewhere else. But those are the ones. The rest of the parcels are tied up two ways. We have transferred a number of parcels already. Can we put the list up, Gary? We've transferred all the potentiality baseball parcels, here we go for the Diridon authority, that's the list of those parcels, so those are going to be in a separate authority and ownership. Old City Hall still needs to be -- this is city property but it's part of the county agreement. There is still some work to be done by the city before that gets transferred to the county as part of our county payment. The city parcels transferred to the city, these were really public use parcels, California theater, circle of palms, the South convention center site and some autumn street properties to accomplish the road projects. The Fairmont garage we're ready to quitclaim to the city. The MACLA site, we want to work with MACLA and the city on that to effectuate a development. And there is the 1/6 interest in the Fairmont that we have assigned. And many of the assignments have also been done to protect the funds from seizure by the state should the event happen that they try to take redevelopment. But we have obligations that these are tied to to the city. And then, I mentioned these other parcels already. And then, these are the parcels

that are liened to J.P. Morgan. And all of these, except for the California theater, also have a second lien with the county, relating to the county payment. And then of course the north San Pedro properties, as those develop, half of the proceeds would go to the county. So that's pretty much the update.

>> Councilmember Rocha: Thank you. So in terms of some of ones you mentioned closing and sale cost, I'm sorry, the sale, how are those reflected in the budget? Because I notice in some of these the rent and parking revenue are showing zeros because we're assuming properties are no longer part of the portfolio.

>> Harry Mavrogenes: They are being shown into the beginning balance for this year.

>> Councilmember Rocha: Okay, thank you very much.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Again, Harry, thank you for your service to this city, and, you know, continuing that vision, not just to redevelop downtown and as my colleagues were asking questions, I witness onto the RDA Website, the 1975, you know, perspective and comparison and it's amazing what we've done. God, it's amazing what we've done in my lifetime, because I do remember 1975 and a lot of that brought back a lot of memories as childhood. But I also want to thank you for the vision going into downtown and into neighborhoods. And you can go into any one of our council districts that have SNIs and neighborhood business districts, the vast changes that have been created, so thank you and enjoy retirement. And I know you're probably going to be antsy and want to do other things. You're probably going to want to try fishing and other things people do in retirement. I do have a couple of questions on III page 26 and that would be in the neighborhood business districts. First question would be on the facade improvements. Are those facade grants already encumbered or are those available for businesses in some ever our neighborhood areas to improve themselves?

>> David Baum: Councilmember, they're all encumbered. However, there may be several that it's been so long that we've been dealing with the property owners, that they may be willing to back out of the agreement or we

would liquidate the agreement and then we could use -- keep the money in the line item for facades. But right now it's encumbered.

>> Councilmember Campos: Can we get a list of where they're going and which ones are -- as we described the ones that are just in limbo.

>> Absolutely.

>> Councilmember Campos: And secondly, the neighborhood business district operations, this would be to the specific business associations, is that correct?

>> David Baum: Correction correct, reduction from 10,000 to 5,000 but it gives them the opportunity to continue their programs to stimulate businesses in the various nine neighborhood business districts that are within redevelopment.

>> Councilmember Campos: Okay, those are my questions. Thank you.

>> Mayor Reed: I have one follow-up question on the biocenter, and the other incubators. What are the lease obligation and the terms of those leases, two different terms and I can't remember which is which.

>> David Baum: Correct. The biocenter lease goes through August 31st, 2012, so approximately 14 months from the beginning of the fiscal year. And the innovation center lease goes through September 30, 2014. That one on a negotiation basis is going to be more problematic to deal with we believe. Next year, the obligation for the two leases will be \$871,000. \$395,000 for the biocenter and \$476,000 for the innovation center. So that's where we intend to move forward, to try get a reduction in rent. Even as we have covered the funds for those leases this fiscal year.

>> Mayor Reed: Thank you. And the other thing I just wanted to add to that, is I did talk to Mary Sydney, San José State university foundation. The strongest sponsorship support they've ever had for the operations. So she's very optimistic about being able to do an orderly transition as we run out of money to be able to pick up the slack there with the sponsorships there to be able to pick up the rent. I know you guys are working with them and I'm confident that we will work out something that makes it possible for these things to continue doing the work that's been done. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Harry, thank you for your decades of service to the city. The face, and the skyline of the city, have been transformed for the better and you've played a leading role for that. Thank you for nap I can't quite see you fishing but I know that we'll have a front-row seat ready for you, for opening day in 2015, for the San José A's. Certainly that will be something we can all look forward to. I wanted to ask about a few individual line items, and particularly on the revenue side, about some assumptions that we're making just so I'm sure what's likely to happen and what's not. I know an awful lot seems to be contingent on that state grant for the Brandenburg North San Pedro site, and specifically there's the \$3.4 million that we're counting on in the current budget for fiscal year '11-12, that would be the first portion of I know what would be a much larger grant, as well as \$2 million sales for a portion of that site, I'm assuming that would be to Barry Swenson or perhaps to --

>> Harry Mavrogenes: That's to interCorp.

>> Councilmember Liccardo: That's Intercorp, okay, that's for the mid-rise development. How -- what are we hearing from the state? I know it's been touch and go, and how close are we to getting that grant money to move?

>> Harry Mavrogenes: We have had meetings, and Roxann, again, has been incredibly helpful in setting these up. We had a meeting I think a week and a half ago, and close -- Tom, I don't know if we've seen anything in writing back, but those are the agreements. We've been exchanging documents. There's been no indication that

they would pull back on the money, as far as I know we're close. And of course, it's critical for this development. Tom do you have any more?

>> We met with the state a week and a half ago. We're still waiting for them to get the standard document to us. There are a couple of issues we're trying to resolve. They have been moving slowly. Is the way I'd put it.

>> Councilmember Liccardo: And I know all of us have been involved in conversations, Ed Shikada as well, about what if any impediments or obstacles need to be removed to get that money to move and I'm wondering, are there any more concerns or were there ever concerns we were hearing from the state about concerns around guarantees or was that -- that was what I was hearing from the developer, and so I just wanted to verify if --

>> Harry Mavrogenes: I have not heard of that. We never provided the, quote unquote, guarantees in the beginning.

>> I think that issue's off --

>> Councilmember Liccardo: Off the table.

>> -- been resolved, that was in -- we discussed that, it's not an issue.

>> Councilmember Liccardo: At this point there is nothing else we can do to make this rainfall from the sky?

>> We're waiting for the state to finish the document and get it to us and hopefully, we can get going. There are a couple of issues we are dealing with but --

>> Councilmember Liccardo: I assume if that grant money doesn't get done, the sale of the first part of intercorp would be delayed or deferred, or --

>> Harry Mavrogenes: It could be. Or we could renegotiate. I think you still have a very valuable piece of property up there, and I think if, for some reason, which I doubt they would back off at this point. All indications is, it's there, it's ready to go. But if it did, I think there's a good opportunity to still achieve some revenue sources from that, and development.

>> Councilmember Liccardo: Okay.

>> Harry Mavrogenes: Because it's a good site. So we have backups I think, reasonable backups there.

>> Councilmember Liccardo: Right. I guess we're only entitled to 50% of the revenues, after this deal? The way we set it up with the county I believe that's correct, for all of the Brandenburg parcels, yes. That could also hopefully be renegotiated if something goes awry with this state deal.

>> Councilmember Liccardo: Yeah. On the porter stock on line 62, page -- boy, I'm sorry, I must have miswrote the page number. I think it's III-33. I see we calculate the insurance proceeds from the porter stock fire at \$88,000. I was under the recollection there was a much larger number there, and I'm wondering, that is the late portion of a payment?

>> Harry Mavrogenes: I think it's a partial. I believe. We'll check for you but I believe the other funds were booked last year. But I'll double check.

>> Councilmember Liccardo: Okay, so we've gotten six figures in the door already on that?

>> Harry Mavrogenes: I believe so.

>> Councilmember Liccardo: Great.

>> Harry Mavrogenes: This was a follow-up we found, this was a shortage and we went after it.

>> Councilmember Liccardo: Okay. Harry I know we've had some conversations about CET and back in 2008, a letter was sent from RDA, to terminal intercept over at CET regarding -- I hate to use the word commitment because I know there was no agency board approval. But it was a-

>> Harry Mavrogenes: Right, subject to agency board approval. We had indicated that they were in the process of getting an EDA grant of about \$3 million I believe to renovate the facility on South Almaden. Or on vine street, excuse me. And they had commitments from private sector and they were asking for a potential commitment from us. The -- I wrote a letter, which indicated that subject to board approval, we would try to put up a fund of about \$1.2 million I think it was total.

>> Councilmember Liccardo: That's right.

>> Harry Mavrogenes: The -- we've given them some money for architecture already. We've advanced some \$200,000 I think this year. But obviously because of our financial situation and the years that have transpired they never came forward with a more specific project. So the funding really went away. I know that your office has been working with them. I think it's a very good project, if we could find some additional resources along the way to help them realize that. As well as working with the Feds to see if the grant could still be had, and if they could also partner with some other private companies maybe to help fill gap.

>> Councilmember Liccardo: Right.

>> Harry Mavrogenes: So we're going to look at different ways to help them. We've been very closely working with Herb to try to make that happen.

>> Councilmember Liccardo: Okay, I want to raise this for benefit of my colleagues because this is going to get raised again I know in the coming months. And I want to make sure folks are at least aware that it's on the radar. My understanding was, back in roughly mid-2009, after we had made -- after the letter was conveyed in '08

and there was discussions about the \$1.2 million that would be brought to the board and I understand now the number would be smaller, it would be closer to \$1 million. In 2009 it is my understanding there was communication from CET indicating that they were invited to make a grant application, at the federal level EDA, that would then, with our million dollars, we would be able to leverage \$3 million in the upgrade of the center for employment training. For those of you not familiar with CET, I think everybody is, it's an important workforce training facility operated just south of town. My understanding of how it works at the federal level with this grant, as it does certainly in the transportation context, for instance, with full funding grant agreements, is an awful lot of the work is done by the Feds before any invitation is made to apply. In other words if you don't get the invitation then you need not apply. If you D.O.T. do get the invitation it's a pretty strong assurance that staff has approved it in D.C. What latest indication to my office has been they've got the grant money, the \$3 million, we need the match is what they're conveying to us very clearly. And I understand the money was in the budget and passed years I think for two consecutive years if I'm not mistaken it was pulled out of the budget more recently. And I'm concerned particularly as we look at for instance facade improvement money that may be forgone because of things that shake out or whatever. I would like to see, if money shakes out of those other projects that it go to this commitment, both because of the extraordinary leverage here but \$3 million, because of the extraordinary work that CET does in our community both in terms of economic development and workforce preparedness. I think it's a great project, in other projects where we've leveraged a lot of other people's money with a commitment of our own, I want to make sure it's on everyone's radar as we move forward.

>> Harry Mavrogenes: Councilmember, I want to add to that too, we may want to explore with the CDBG funding if there's any more money that might be available, again things shake out there, too. But this is an important project that I would like to see move forward if we can help it.

>> Councilmember Liccardo: We're using about \$1.4 million of CDBG money from the HUD 108 program --

>> Harry Mavrogenes: For this coming year, yes.

>> Councilmember Liccardo: To cover the RDA obligations. I recognize there's limited resources there.

>> Harry Mavrogenes: There are also limited resources but this is important. We need to look at whatever is there.

>> Councilmember Liccardo: I understand things have fallen out of the budget because of the very severe constraints. I've had inquiries from proponents and leaders in the community regarding the African American community center and I just wanted to check in to see if there's been communications with that community about previous funding that was in the budget, obviously it had to be removed.

>> Harry Mavrogenes: They have had a \$200,000 contract that expired last year. We renewed it. There's really been no progress this year. We've been in communication with their consultants, and I'm in the process of checking with our attorneys, looking at the contract. We are proposing to close that out. There's been no progress in the last two years on that.

>> Councilmember Liccardo: Okay.

>> Harry Mavrogenes: And unfortunately that may be one that will have to be closed out.

>> Councilmember Liccardo: I just want to make sure the communication happens in a fair way.

>> Harry Mavrogenes: We will send them a letter indicating that but their contract is up currently in June of this year and if there's no performance there's no requirement for renewal but we will let them know officially.

>> Councilmember Liccardo: I appreciate that, Harry. I just think it's important that everybody have really clear expectations, and that would be helpful. I had a lot of smaller questions, I think it would be better to be asked offline, about small line items. I guess as a general matter I know we have three different pots of job creation for emerging tech jobs, for clean tech jobs and the largest job creation fund. Why I think in some cases they are

actually focused on particular project areas, why are we breaking them into separate funds? Why not have a single fund that can be used most flexibly?

>> Councilmember, we thought exactly the same way, and actually it's combined. The ones you see in the various areas, are all encumbered carry-over funds. So the 1.5 million, the job creation fund can be used in any redevelopment area.

>> Councilmember Liccardo: Okay. So we don't have any problem moving that money, it's purely fungible?

>> Correct.

>> Councilmember Liccardo: Thanks, Richard. And then do we have whatever necessary funding that might be required to move forward with regard to title, appraisal, et cetera on the AT&T parcel, are we well situated to move, should we need to?

>> Harry Mavrogenes: This -- the AT&T parcel, we have been in conversations with their representatives. They have started an appraisal of the property on their own. We have an appraisal of ours. We are supposed to get that appraisal within the next week or so, and then I think the next step would be after we look at it, compare it to ours, to see if we could possibly bring forward an option to buy, and then work with -- assuming things move along with MLB, your call, and in terms of moving to the next steps. But I would advocate that you get an option, to lock in the property and lock in the price. So when the time is ready, that the developer can work with us on that.

>> Councilmember Liccardo: Great, thanks Harry.

>> Mayor Reed: Any other questions? That's all the request I've got noted here. I have no cards from the public to speak. So Harry, unless there's anybody else from your staff has anything to add, I think we're done. Okay, we're done. We're going to adjourn.

>> Harry Mavrogenes: Thank you all.