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>> Councilmember Pyle: So we're going to be changing our methodology a little bit. But we are not going to be able to do the first part. What we can do however is to have Paul give us a monthly overview of your report.

>> Paul Krutko: Sure Madam Chair, I can do that. Good afternoon, Madam Chair, Paul Krutko, chief development officer. When we get a quorum what we'll want to do is go back to the consent calendar and accept reports from the last committee meeting and then there's one request to defer to November on the banner policy. So those would be the items we would want to do as how keeping then we would move into the regular agenda. And as we were just consulting the regular agenda is essentially a series of staff reports. There is no action that would be needed for cross-referencing to the council. So we could come back and accept those reports, once we have a quorum. Okay. So Madam Chair, thank you for the opportunity, every month I do like to give you a brief update on what we've been doing in the city side of the development house. In partnership with RDA, but mostly focusing on what the development service department and the office of economic development have engaged in in the last 30 days. And so we're trying a little different today. Stephen has a few slides just to keep me focused. We want to tell you as we have in the past and I think the committee has appreciated we've had success on multiple fronts in the last 30 to 45 days particularly in the area of business and retail attraction. We've made significant progress there. Workforce development some activities I want to let you know what they are so the committee's better informed before what we're doing in that particular division. Always like to report on what the downtown manager is up to. And then talk to you -- with you a little bit about -- briefly on activities in the international area, and our messaging, and arts and culture. So in terms of facilitation, we just wanted to kind of highlight some key activities in terms of specific companies. So we've been working with solar companies as we've talked about in the past. I really want to kind of put some emphasis on the work on this slide with capitol Subaru. We are actively engaged and key responsibility of the Office of Economic Development to work in our two auto rows and to encourage as the automobile industry is resetting which is actually going on now, that we're well positioned. I think if the councilmembers, the two of you, and your colleagues travel down to capitol, you will see a number of vacancies. We've been very aggressive in talking with them, and I'm happy to report we're making progress with some others that may be next month's committee meeting I can report on. But specifically we wanted to highlight capitol Subaru. This is a brand that is part of the Del Grande Dior group. They are moving forward, what that means is 250 additional new cars annually, about \$22,000 per car average. The

good news here is, this is indicative of what we've been able to move forward with in terms of development services. Our special tenant improvement team met with them and facilitated their entire process, introduction, review and permitting in two hours. And the project was then fully permitted after that meeting, and they started construction 24 hours later. Now again this is an automobile dealership. Not a lot of complicated elements to it but nonetheless as the mayor likes to talk about, moving at the speed of business that was something we accomplished. Council did approve and I'm just highlighting again very pleased that we were able to access the recovery act bond financing program that was allocated to the state, the city attorney's office, particularly Danielle Keneally, was very helpful. We had to do some special tweaks on how to have a TEFRA hearing and how to do those various elements. But nonetheless that's resulted in a \$30 million package in front of the state, I think it will be heard this week, to provide funding to SunPower, our leading solar company for headquarters and manufacturing project in San José. And this has been a long effort, both OED and RDA have put numbers of proposals forward to try and ensure SunPower stays and grows in San José. Finally Samsung is an interesting case. They have had two facilities in San José for a number of years. They are now adding a 25,000 foot facility on orchard parkway to be occupied by December 10th. That would bring 100 new jobs, \$1 million of tenant improvement, \$5 million in new equipment. And again what we unsolicited their broker commented that the special tenant improvement program has helped expedite their occupancy and the fact that we have this program in comparison to other cities has not gone unnoticed in the commercial real estate community. In the area of facilitation, we talked a little bit about this with council but at the request of Mayor Reed, we work in a partnership with the agency of Department of Housing and Planning, Building, and Code Enforcement, I was asked to lead a team that would try to facilitate a group of very large residential projects to get them jump-started, and to create an opportunity for significant construction activity. As you know, I've expressed to you the worry I have about the high level of construction unemployment we have in the community, north of 30%. Those folks live here, work here, as they get their paychecks they go out and spend money to support their families. So this is a big jump start to our efforts. We will be issuing probably tomorrow, an any info memo that more explains what we're doing here. The council memorandum is on the docket for November 2nd. We are really -- these companies ask for some certainty relative to inclusionary housing provisions in the current situation with the paper case which would allow us to give them some certainty to move forward with market rate projects. So just wanted to highlight that's a significant amount of investment in units that would happen fairly quickly. This is just a venture capital. We

wanted to let you know that we do do this. This may be something that the committee as well as the whole council is not aware of. We actively track companies that are receiving venture capital and we aggressively make calls on them to try to capture some of their investment in San José. Interestingly enough, my colleagues, I tell them we have 14 or 15 venture-backed companies a year in San José, they think elsewhere in the country, that's great. When I say, well, there's 100, in Palo Alto, you guys say, well, what are you doing? What we are trying to do, and Stephen Brewster is leading this for us, is really make direct calls and engage both with the venture capital firms but with the companies once we identify their funding. So these are some we have met with recently, there are others that will be in the written report that we'll identify, certainly we want you to know the names as you're out and about as you interact with any of the companies to make an extra sales pitch on San José. On workforce, I just want to highlight I guess five things now. One is I think is we have been concerned about our abilities to provide services to small business given the cuts that we've received yet the number of small business and we've been using this web 2.0 system that we've identified and prepared called businessownerspace.com. We just had an annual event, and 2,000 small business owners and entrepreneurs attended. So we think that is indicative that the system may be a way to leverage the small number of staff we have engaged in this. To that end, since we started this in October of 2005, we've got over 125,000 direct access inquiries into that system to identify services and programs that can help services at the time of day, on the weekend when small business is available to do that, as opposed to trying to come to City Hall to meet with somebody. The last few items, the second -- the third and fourth really reflect our ARRA program. We got additional resources from the recovery acts program at the federal level, and we can see that we've been able to place 4,000 adults and dislocated workers into training programs. And out of that we have also directly placed 3,000 people into jobs over the last two years, and we've run the summer youth at risk youth program during this recession, which is really important, with those granted funds helping 2,000 youth and their families during this difficult time. The one other piece just to highlight that we are always trying to identify things that council may not be aware of. Many of you went to the At First opening of the Brocade facility and saw the new Target. We actually work directly with employers like Target, and we were essentially a hiring arm for the 150 -- over 150 employees that they hired there. We actually did the recruitment and the interviewing and the referrals to Target to allow that to happen. Just quickly finishing up then in terms of downtown, just want to highlight, we do believe and I think was acknowledged at downtown association meetings how much the City Manager's office engagement in downtown issues have been

enhanced. We were reflecting I think Councilmember Liccardo remembers the meetings we had, in the mayor's conference room and we were trying -- you were trying to help lead in that area. Couple of things to highlight here. This is the level of detail we're now into. The state's passed a new act relative to security and private property. And our efforts with the downtown manager Lee Wilcox is we're actually facilitating the 14 hours of training of those private security folks, in the bars and night clubs, in Downtown San José. So we're helping offer that and facilitate that. The public entertainment ordinance will be coming to council at your next meeting, that will resolve our final issues working with the city attorney's office of how we can regulate and -- but also facilitate in that area. And then finally, in the small wonders area, you did approval at last council meeting the small wonders work plan that 1stAct put forward, and we did present our live music strategy to the arts commission and will begin that implementation of that fairly shortly. That's our intent is to try to facilitate small venues, and a variety of live music in downtown, to help us provide a diversity of entertainment, not just the large monocultural clubs that we have now which has been something that we for along time wanted to do. In terms of the last two slides, international work just want to let you know that we have a small contract, and what we're doing in this area is, we use a consultant to identify specific companies that are interested in making investment decisions in San José. So it's not just a let's market to Germany and find out you know if anybody's interested. And so these are three specific German companies in various space, technology, see one is in laser, specifically, how we can -- they bring them to us. These are qualified leads of people that are actually have expressed an interest in Silicon Valley and San José. And then finally, well, two more. We are aggressively putting our message forward in front of a variety of settings. The report speaks to that. These are a couple we would highlight. West Coast green is the world's leading conference on green innovation. We've participated on a number of panels relative to our leadership on this area. And then we had a major interaction with the city of Osaka, who is very interested in how they can work with us on high speed rail and clean technology which are particular strengths of theirs and finally that happened. And final slide, we are going to talk about events later today but we are making major efforts to try to bring a variety of events to the city. And these on the slides are ones that kind of happened in the last 30 days. One is, as we just had another very high technology lighting element using our city -- own City Hall has a backdrop. The international pod car conference is being held here. They're -- the national arts and marketing products conference will be here in November, and I think you all heard of the announcement relative to Amgen returning the tour of California here. As a finish -- we'll be the only city who's been in the event all six years --

they've asked us to do some challenging things. They want us to have an uphill finish in San José. And we have a couple of venues but we're not sure we'll be able to pull it all off, so we're investigating that. Failing that, it will be downtown as it has been in the past. But they want to have a competitive finish in San José. So uphill is how you get competition in cycling. So and rock 'n' roll was very successful for us again this year and we do have a commitment working with Team San José on continuing that effort for a number of years. So our success in seeding funding and in pulling out city financial involvement in it seems to have borne fruit. Madam Chair, that is my -- I guess there is one more. Just outside, this is the other arm of the managers office in terms of economic development, deals with arts and culture. The item on the left is what you're seeing outside our window. Outside our office, excuse me, this conference, this committee room, is the pageant of the Pacific which is a display from a mural that was contained in the 1939 Golden Gate international exhibition. The one on the bottom is the photographic study of the water pollution control plant that is conscience of the city, I guess is what this one is Stephen, thank you. Give you a sense of arts and culture, if you want to study that, we can give it to you. Madam Chair, I really appreciate the opportunity to speak with all of you.

>> Councilmember Pyle: And I really appreciate the report and the fact that you've added the graphics to go with it. Wonderful. I might point out that eight pages of material, chockablock with accomplishments filling us in on things that's going on, is done by 11 people, that's absolutely amazing, something that can be applauded so I'm going to stand up and applaud.

>> Paul Krutko: When I get to stand in front of the other departments in the administration that collaborate with the fund, so I mean, if you just think about the special tenant improvement team, that is a variety of people from fire, public works, from code enforcement, but I thank you for that compliment.

>> Councilmember Pyle: But you do interact with them, and obviously successfully. I would like to point out, too, because I think Paul would be too shy to bring it up, that he was just voted in, on an international basis, to act as secretary -- what is the official name?

>> Paul Krutko: Treasurer.

>> Councilmember Pyle: Treasurer. Oh, you've got the money. That's even better.

>> Paul Krutko: Yeah, this is a tough year, I have to watch the money. It's the International Economic Development Council.

>> Councilmember Pyle: That's really terrific. Thank you so much for that. I'm happy to report we do have a quorum, so we will go ahead. What would I like to do is go back to the beginning where we are going to basically take the consent calendar. And ask for acceptance for the items. However, we do have some cards to hear first, and Sam did you have something?

>> Councilmember Liccardo: I just had one question on this item but I'm happy to come back to it.

>> Councilmember Pyle: You can ask it now. Go ahead.

>> Councilmember Liccardo: Okay, sure. Paul, thank you and I agree, there's been extraordinary work done and particularly in downtown, I think there's been a real sea change in the attitude of business owners towards the police and towards the city, as a result of the great work that your office has done and as a result of what the police have done out there, so I think it's fantastic. Quick question about venture capitalists. I've often tried to make inroads to the venture capital community. I know it's really challenging. These are busy people who are more focused on making money than talking to government -- governmental entities. And I know you're engaging with the companies that are VC backed, but do we have any means of actually engaging with the VCs themselves to talk about these are opportunities that are unique to San José, enterprise zone and the like --

>> Paul Krutko: Yeah, fortunate, Stephen Brewster is here. Ed's okay, he could comment on it, because he is working on it. But I can tell you we've been pretty aggressive targeted-wise. And we have a really good relationship with the preeminent one in the valley, which is Kliner-Perkins, particularly as they look at portfolio companies that need to demonstrate products. That's been the -- that's in clean technology -- that's been the hook

that's gotten us in the door, because unlike other venture backed things that have happened and prior innovative ways in the valley, where somebody in a cube writing a software code or developing a game or doing something like that, clean technology sometimes requires an ongoing function that somebody's doing at the pollution control plant or vehicles or something like that. So Stephen, do you just want to just comment a little bit? Is that okay, Ed?

>> Yeah. I think since the item wasn't agendaized, it's fine to respond to questions, but there shouldn't be a discussion of the item.

>> All right. I think your question was, how are we proactively reaching out to the venture capital community and to the firms. My answer -- well, here is exactly what we're doing on a couple of levels. One is where we're getting right in front of the venture capitalists at the get-go, from our participation at different venture capital association groups, so we can learn what they're funding and what companies they're funding. And then when we do that and let them know how eager we are, usually we're the first municipalities to actually go in there and talk to them as government people on the local level. And learn more about what their business needs are. For these companies that they're funding. So we want to be there, through the entire pipeline from the initial idea after it's pitched to finding them a home to grow and thrive.

>> Councilmember Liccardo: Great. Thank you. And I appreciate all the discussion you had on venture-backed companies. And this is additional information that's helpful, because we know that those VCs often end up being the managers of companies they end up funding, so thank you.

>> Councilmember Pyle: Thank you. Now we're ready to move on to the cards that have been presented and the first one would be addressing 1C and that would be David Wall.

>> David Wall: First off I'm pleased to see that we have a quorum. And glad Sam could show up. With revenues to habitat plan, I won't rehash my opposition to the entire plan which I think is fraught with peril. One thing though that it does bother me, it doesn't mention anything about honey bee habitat. Hobby bees are very very important

for agriculture. Staff should come back on that and tell you, without honey bees what it will do to the world agricultural and the economy. I think it would be in keeping with whatever or however the Green Vision is defined, to project the honey bees, thank you.

>> Councilmember Pyle: David, stay put because you also wanted to talk about D-2. Which is the --

>> David Wall: See, this was a problem with the --

>> Councilmember Pyle: Verbal report. I mean the implementation of the project manager and the hub concept.

>> David Wall: No, there was a confusion with taking it off the Internet and what was on the printed agenda. This was D-2 and C-2, I have no commentary of that.

>> Paul Krutko: You're talking about the regular agenda?

>> David Wall: That's correct.

>> Councilmember Pyle: How about D-4?

>> D-4, that's the regular one.

>> Councilmember Pyle: All right.

>> David Wall: I'll blame myself, this is self-blaming, this is the first.

>> Councilmember Pyle: You'll have plenty of company. With that we're ready to ask the big question and that is to go ahead and approve of the items that have been put before us for consent calendar.

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Kalra: Second.

>> Councilmember Pyle: All in favor, aye. Number 2 is request for deferral, did you want that taken separately, Ed?

>> No, that's fine, part of the consent calendar.

>> Councilmember Pyle: Let's move on now to reports to the committee. D-2 which is the update on the special event costs and the alternatives to full cost recovery. Which --

>> Paul Krutko: Madam Chair, Kerry Adams Hafner and Tammy Turnipseed are going to make that presentation. I should, in teeing this up, that what I asked them to do today was -- and they'll go through how we got here, but this is an opportunity to about give you some alternative approaches that we could take. I know that the city attorney has given you a memorandum about this topic. So what we're really looking for is to get some feedback today on how you think about our thinking, about what we could do and which options think make sense in letting our assistant City Attorney give you some guidance on it as well. So are you ready, Kerry?

>> Our PowerPoint is not loaded.

>> Councilmember Liccardo: We can follow along on the pictures.

>> Thank you. We'll see if we can work on that in the meantime. But good afternoon! It's a pleasure to be here councilmembers and colleagues. It's a pleasure to be here with Tammy Turnipseed our special events director to talk to you about outdoor special events. This is a follow-up presentation as Paul indicated. And over the past year and a half I think everybody's aware that the office of cultural affairs and the office of economic development have been leading an initiative aimed at controlling the city's service costs as well as increasing the revenue

generation opportunities, for our outdoor special event organizers. So as part of that initiative we had a set of strategies that we actually presented to the council in April, and I just wanted to highlight a few of those accomplishments. The first one is the implementation of a parking, traffic, and control officer outdoor event program. And this is essentially allows for a select number of employees to complement the services that are provided to outdoor special events that are currently provided by the police department at a lower hourly rate. Additionally, we had been able to lower the hourly rate for our fire inspectors and based on council's approval we were also able to repeal the traffic enforcement unit special event fee. Also as part of season charges that went to council we were able to expand the series permit concept. And as part of this 18-month process we've been able to identify what are the best practices for controlling costs for event organizers. So we consolidated those best practices on a tip sheet that's currently availability on the OCA Website. Also on the revenue generation side, we were able to increase the maximum gate fee threshold. There is a threshold for the amount that can be charged for gated events. It went from \$15 per ticket per day to \$30 per ticket per day. And additionally there has been historically a practice of collecting 5% of those gate fees by the office of cultural affairs and redistributing those to our festival, parade and celebration grant program, our FPC grant program, and we suspended that practice recognizing our current economic climate. So when we went to the council in April, we got direction from you to go further. We got direction specifically to return to this committee, in the fall, with criteria to guide the City Manager's deviation from full cost recovery model for special event fees based on content neutral fiscally based criteria. The second directive we received was how to recommend how a scaled city service fee might be applied for these events, or a method of recovering cost from revenues subsequently received by the city. So since this time, we have been working to review the best practices, both within the city and in the field, and I should just share that this is a very innovative model. So in the field we weren't able to identify examples. But we were internally, cross-sectorly. For example, we are using a model that we currently use with our business community. The next thing we did was we analyzed our city service fees, our tenant numbers and the estimated economic impact of the events historically held in San José. We also met with our colleagues in the city attorney's office and the budget office to revote the concepts and the parameters, and then we developed a set of options we'd like to present to you today and get your feedback on. So the goals today is to get your direction on the best path to pursue moving forward. So our guiding principles, as part of this process, has been to meet this council directive within our legal parameters and to recognize and incentivize events that enhance

revenue for the city. To provide a process that's both missile efficient for event organizers, as well as the city, and to use a consistent methodology to determine fiscal impact using the council-approved economic tool. In 2007, a tool was presented to council that is used to estimate the economic impact for events and it's a conservative approach. It counts suspending by visitors to San José as opposed to local spending. Our next guiding principle was to be fiscally responsible and economically strategic. So some of our key learnings have been that economic impact thresholds are very important. And one of the key drivers is attendance. And attendance requirements. So we're currently looking at events that have a significant economic impact, and that attendance would be somewhere around 12,000 people. So those are the types of events we're looking at for these models. Also, another key learning has been, there are a couple of different ways we could approach this. We could do a revenue share program or a rebate program. Also, we could approach this first year as a pilot and test certain assumptions. But each of these options that we're going to present to you today require a General Fund budget allocation. Just to briefly talk about the range of options. The first option is a revenue share program. And this would be to provide a grant post-event to the event organizer and this grant could be used to defray the production cost based on a percentage of the net economic benefit to the city. The second option is a rebate program in that we would refund a percentage of the city service costs for an event based on the estimated net economic benefit to the city. So that would be directly tied to city service costs. The third option is to reduce city service fees and that would require revision of our full cost recovery policy. So just to drill down a little bit into the details for these various options, option 1, again the revenue-share program, it is to share the city revenues with the event organizer. In the form of a grant. This grant would be used to defray any costs associated with the event production or any event. In fact they could use it very flexibly. And it would be defined by certain criteria. That would be attendance and estimated city revenues. And this would be based on net fiscal impact. Not city service costs. So this program would not be tied to city service costs and would allow events without city service costs to participate in the program and just to give you a sample of how this could work: We would first want to define what the net fiscal impact of an event would be. So the city fiscal impact is defined by the revenues that come back to the city in the form of parking revenues, sales tax, transient occupancy tax. And then we would reduce that city fiscal impact by the amount that we actually grant to the event organizer, for that specific event. We have the STC program that's administered by our office, so that would be the grant that we would use here. And then we would have a revenue share payment based on either a flat rate or percentage of the estimated net fiscal

impact. So if we were to estimate that a music festival, for example, generated \$25,000 of net fiscal impact to the city, we would give a revenue share grant back. So if it's a 10% revenue share we would have a grant of \$2500. Now, just to note that this program can be scaled according to how many -- how much we have in terms of funding resources. We could go up in terms of percentage or down. It also can be incentivized. So the higher the net fiscal impact to the city the higher the percentage that we could revenue-share with the event organizer. So that can go up. The next option is the rebate program. And this offsets all or a percentage of the City's service fees. So this is directly tied to city service costs. The criteria for this program would be attendance, net fiscal impact, and city service costs. So this only impacts events that have city service costs. So a sample formula would be again to define what that net fiscal impact is, and then develop a rebate payment for all or percentage of the city service costs based on its net fiscal impact. So again that music festival example generates \$25,000, the net fiscal impact to the city. And based on that we could rebate a percentage of its city service costs, and in this example we use 25%. And again, that percentage can be scaled upwards or downwards depending on available resources. But it also can be incentivized. If we have a higher net fiscal impact we can rebate a higher percentage of the city service cost. Option 3 is to reduce the city service fees. So basically to update the full cost recovery policy. Now, because this deviates from our current model, it would require departmental funding to service events. And in conclusion, each option requires a budget allocation. And just to give you some context, last fiscal year, the OCA coordinated approximately 356 events and the total city service cost for those events was about \$800,000. So we envision that a fairly robust program could be developed in the range of 50 to \$100,000. Again just to reiterate, that could be scaled and incentivized. So based on your direction, we would take the proposed funds for this program, and bring it to council for consideration, as part of the operating budget process. So that concludes our report here. Sorry we didn't have the PowerPoint to you in time. I also want to point out that we have Matt Cano and Pete Kel here with PRNS in case we have any questions on parks. Thank you very much, I look forward to your feedback.

>> Councilmember Pyle: Sam I think you probably have something to say about this.

>> Councilmember Liccardo: I do. I haven't fully digested because I think there's a lot of work that's gone on, on this so I'm sure as we continue to think through these problems we might have additional suggestions or

questions. My first gut reaction is, first of all I understand you're tasked with a very difficult job of trying to boot strap in some way cost savings in a world without any money to do it with so that's a real challenge. The fact that we do have a one-time bump in QOT revenue might create a potential small pool for us to experiment with this in the pilot. And I suspect that might be the place to do it since the T.O.T, some significant share of it would go to festivals, FFP grants anyway. Because I know that the General Fund is going to be real, real tough to find anything there. Knowing what we all face. My gut reaction tells me that while revenue sharing in the programs make a lot of sense in the broader economic context of dealing with companies that are very sophisticated. The challenge of so many of these organizations is, you know, you've got a single executive director that's doing it all and fundraising and trying, and I'd imagine it creates an enormous amount of work for city staff, too, and it may be that the amount of work that's involved here is creating more heat than light at the end of the day. And that maybe for that reason, option 3 seems most appealing from the standpoint of having simply sort of a straightforward how do we cut the cost sort of approach, that they can see immediately at the get-go. And you know, the pool of funds in which we had used to reduce the fees of course would be T.O.T. and that's a lengthy conversation to have. The only other concern I have, and again, as I say, I haven't really thought through all of this, is that to the extent that we tie to NFI, I am concerned about whether or not we create incentives for folks out there to cook the books with regard to attendance. I know it's awfully difficult for us to monitor and measure, and there's often varying allegations about whose attendance is really accurate and whose isn't. And so I know that gets us into a real thicket, as well. I don't pretend that's an easy number to come to, the NFI, but to the extent that we're really comfortable we've got good objective measures, I'd say great. I don't know how comfortable we are, because I haven't really looked carefully at it. So I just raise that as an issue. I'm sure you guys have all thought about that. And so the only other thought that came to my mind about other criteria we might be looking at is to the extent that these groups can point to other cities that are able to do it more cheaply, without a General Fund subsidy, I know that there are cities out there that subsidize. But to the extent they're able to identify those cities, we maybe identify those fees as sort of the target fees that we go after to some extent, that is, that those are the ones that make us less competitive as a venue for these festivals and events. Whether or not that mean we change how we do the service or in fact whether we subsidize through T.O.T. is obviously an open question. But at least that would help us in terms of prioritizing or using criteria to figure out what fees we go after and what context they may be of use.

>> Councilmember Pyle: Good comments. Ash.

>> Councilmember Kalra: Thank you, yeah, I appreciate the comments of Councilmember Liccardo. I think had raised some of the same kind of issues and concerns I had. I had a question with regards to the methodology used and I know this is something that the council referred and the committee referred to the out of town visitors and the economic impact. I know at times we've discussed and it has been brought up that these events bring people out of their homes, and that if the San José residents, when they get out of their home, come downtown or wherever an event is and spend some money and enjoy themselves, how can we factor that in? If they're coming out of their house, coming to San José instead of going to an event in Palo Alto or an event in Gilroy or what have you how can we factor that in? And I can certainly understand it's probably not going to be at the same extent as an outside visitor coming in, we always want to bring someone in from outside the area and tourists and what have you but I don't know if there's a standard methodology for counting residents.

>> Paul Krutko: Tammy, if you'd like, I can comment to that. We do have the data, from the intercept surveys that can distinguish that. I guess what we're sensitive to is the staff, and not overly sensitive because I was proud of what we did with it, is the criticism for example on the Grand Prix, that as we calculated the impact from that, most economists will challenge, or critics will challenge if you count someone coming to an event downtown, and they say -- their criticism is well you're just displacing activity, they could have went to the movie that day, they could have done you know a variety of things, understand your point. So what we've done is being very cognizant of that criticism we really emphasized economic impact in terms of out of town visitors, because that is somebody who's bringing in a new dollar into your town. But in the past we've shown council we can calculate those spending from residents, you know, and it becomes more of a question as to where do you fall on that philosophical question, did that person decide to go to you know Lincoln Avenue street festival versus staying at home and watching Netflix. So I'm not trying to be flip. It's just the people who make -- have turned this into an industry of critiquing this, that's where they've come to. So we've been very carefully in using the firm we use from Berkeley, sports economics, he takes all those people out, he calls them time switchers, people who were in town

anyway and they just decided to stay, that doesn't count. We can give you that grade aches if you want. It can be a basis for making policy judgments as well.

>> Councilmember Kalra: I appreciate that the conservative nature of the data and I can understand why economists will frown upon using data that relies on an event that 90% of the people live in San José to focus solely on those attendees. But I certainly would appreciate continuing to get that data, but in addition, if there's some way you know that during the surveying of the attendees, if the person is from San José, one or two follow-up question, I don't know if that's common, if you weren't here today, what would you have been doing? I mean, there are some ways you can get to that in a very simple way.

>> Paul Krutko: I appreciate that. That probably isn't a question that we've asked.

>> Councilmember Kalra: Yeah, and I think at least then we can actually say, well, if they didn't come here, say they were going to do laundry, they were going to stay home and do their laundry, or they were going to go to San Francisco and go to the wharf, what have you. So it would be nice to know that, and again, not necessarily counting those individuals in the same way, but counting them nonetheless, I think would be helpful.

>> Paul Krutko: All good suggestions, thank you.

>> Councilmember Kalra: But otherwise, I think it's very challenging, and you talk about these issues, we certainly want to make sure that the city is not out money on these events in terms of our city services, we want to be sure that we do focus on those things that bring in revenue but we also want to make sure we don't close out opportunities for new entrants into the event market or people that want to start a venture that haven't to be at a disadvantage. And so some way of really rolling out any of these kinds of pilot programs in such a manner that really makes the city open to having those kinds of events.

>> Paul Krutko: The one thing if I could just add a little more color commentary to the presentation, if you do looks at option 3, to some extent it's what we have been doing. But because of our fiscal situation, we have

scaled back. So we had established four, five years ago, sort of an event opportunity fund. It had dollars in it. And then what we would do is, we would be -- we would hold the event, the various constituent departments would give their cost package to the event promoter. And we would use dollars out of that fund to essentially pay, Tammy correct me if I'm wrong, but a lot of times we were directly covering the cost of the constituent department, right?

>> It was sent up to defray the cost and much of it was based on the event cost.

>> Paul Krutko: So what I think we're reflecting in 3 is a similar model. We may be talking about it in the same way. We're coming back to you saying, if you really want to do this you got to put some money in the General Fund pot to do it because we're not -- not because it's the city administration trying to protect departments because there are legitimate costs they have to bear so that's how much it cost. The only other way, and like parks is in the room here. The only thing you can say to parks is you know what, we're holding this event, and you have to eat the costs. If you do that, they're going to cut services someplace else. So I guess what, to us, to some extent, number 3 is a value judgment that says, you think these events have mirrored and you're willing to put money towards them. I agree with the sentiment that we should work as hard as we can and one of the things that OCA has always done very well is try to work with departments to take out extraneous things and what we don't need to do and all that and cut back. At a certain point you get down to a core level, this is how much it costs for somebody to clean up the street, this is somebody -- all that -- Tammy is shaking her head. So if we want to reduce the C package because we think that the events are being put under, you know, under threat of not happening or not being as significant, you have to make an investment. I think option 1 and 2 we're sort of trying to get to you a place of and I know there's some issues that the city attorney's raised but saying if an event, we ought to be focused at the city when an event is generating revenue and sufficient revenue to cover its expenses we ought to be looking at getting the net. The model now has all the revenues going into one side of the city and then we charge expenses out of the other and the event person is in the middle saying, I've got to try to cover these expenses and you've got all the revenue. That's what we were trying to get with 1 and 2.

>> Councilmember Kalra: Do you know what the distinction would be between the three different options about how much General Funds would be necessary for that particular strategy?

>> I think with all three strategies we would look at the same amount of funding and based on that fiscally based criteria we think we can do something up to -- that's fairly robust up to \$100,000.

>> Councilmember Pyle: Rose, did you want --

>> Councilmember Herrera: Thank you. 100,000, total per event --

>> Oh, no, for the entire program.

>> Councilmember Herrera: Okay.

>> Whichever model is pursued.

>> Councilmember Herrera: Okay.

>> Paul Krutko: Calibrate that first. You're talking about a pilot. So we would -- so the council doesn't come away that we could underwrite all the events. We started off with a \$350,000 pool that got knocked down successfully. And we've stopped supporting certain events because we don't have the resources.

>> Councilmember Herrera: What would be the pilot? How much money would we put in the pot for the pilot, is that a subset then of that 100K we're talking about then or -- is that the whole thing?

>> That can be scaled according to how much council gives to the pilot. So anywhere from 50 to \$100,000 is recommended for a fairly robust program that could make a dent in the pockets of the event organizers. And what we would do is we would use thresholds to determine which events would be eligible. To participate in the

different models. And then, based on how we scale it, we can revenue-share or refund a certain percentage for the different models. So we think 50 to 100 could make a difference.

>> Councilmember Herrera: So I came in late and I apologize for that. But I just wanted to comment on it. It looked like the first two options we're sort of looking at revenue sharing, and so we're kind of having, you know -- having the city and the events folks kind of having skin in the game. So you know we sort of if there is revenue to be made then we're sort of look at contributing but it's kind of a sharing model which I kind of like that idea that everybody sort of partners in it as opposed to us sort of footing the bill entirely. And I also wanted to say I really was -- I feel positive about the memo that came from the mayor, and Sam and Nancy, in terms of just looking at some of these events. Because there's different categories. You know the large events, I was just at the rock 'n' roll half marathon. There were 13,000, 15,000 people there? What an event. There's differently success criteria I think. Bringing revenue to the city something that brings in a lot of visitors then there's also events I think that help establish pride of our city, cultural pride, other things, other kind of intangible things that are part of tight. There are other small neighborhood events where the costs get so great that they can't really afford to put them on and use a neighborhood facility. And I think the solutions to those are very different than the solutions we're talking about here with the bigger events. So you know, I support looking at these options. I'd like to in another time maybe look at some of the smaller events and you guys may already have some of those ideas coming forward but I think those are important too just in terms of keeping neighborhoods able to generate little grass roots kinds of activities. And I know the office of cultural affairs are has streamlined that and you guys are working on that but I'd like to keep the dialogue open too about these smaller events as well as these bigger events.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: Yeah I just wanted to follow up briefly because I know there was some dialogue came up about I noticed comments in Paul's response. I just wanted to comment, I do respect that this is a very sophisticated model that you guys have used with force economics. My concern is less with the model and it's more just about the attendance numbers themselves and whether they're self-reported or how well they're

reported by organizations. Because I know we've all been at political rallies that were supposedly filled with 500,000 people and you know we saw 37 people.

>> Paul Krutko: If I understand what you're asking or coming at, is what force economics does is they do this intercept survey, and after getting a successful -- a statistically valid sample, they say the person that comes spends this much money. But the problem would be, you multiply that times the number of people and that gives you the number. I think the way we tend to look at it is we can be pretty good at with the tools we have inside OED now, to measure things like sales tax, and we can -- we can be pretty sophisticated to compare the two.

>> Councilmember Liccardo: Good.

>> Paul Krutko: You if -- I know in the past we've done things like well, this event was on a certain weekend. What didn't happen and then it was in the next year it happened and we can compare the two years. We define geography and then you can get a sense as to what our real yield is versus the self-reported yield.

>> Councilmember Liccardo: Okay, that's helpful to know. I just wanted to mention if we, you know if the discussion also is not so much on the General Fund and on a fund we do know is increasing at least one very small fund that is increasing which is T.O.T. I think it becomes an easier sell on the 18th floor. That's just my gut.

>> Paul Krutko: Both of you councilmembers, the point where we do need extra help and I have let Kerry speak to this, I don't know that your main liaison body in this area is real keen on seeing the T.O.T. dollars that go to the 1.5 that goes to arts activities to be going to events. But Kerry she attends those meetings. But I could understand if we -- Councilmember Herrera is looking -- they believe the dollars should be spent on more traditional art activity. And I'm not saying that's wrong, I'm just saying -- or correct or incorrect. That's just I think the bias that our arts commission has, is that right?

>> I think that's right. I think one of the biases that the arts commission might bring to the table is they wouldn't want the T.O.T. to subsidize the General Fund. So if in theory if the events are throwing off fiscal impact to the city, and it's coming to the general fund, you wouldn't want to use the T.O.T. to offset that. That's just -- they're very protective of that funding source, as you're well aware.

>> Councilmember Liccardo: Oh, yes, yes.

>> I also just want to share one other tool we have in the OED. A bucket, is that when we look at attendance, we can also look at the capacity of the spaces that we permit. So if we know that the plaza de Cesar Chavez has capacity of 8500 people, and an event organizer is saying I had 25,000 people there, we know that there's going to be -- we're going to have to really take a look at their numbers. So we do have some tools that we ask have with us to give the snuff-test to.

>> Councilmember Liccardo: Calling the BS as they say. Thank you. I would just make a motion to accept the report.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: Before we vote David Wall wanted to say a few things about this item. David.

>> David Wall: Thank you very much. You have three basic entities that you have to deal with as far as overhead cost. You have promoters, you have associations like the downtown business association, and you have city employees. Somewhere you're going to have to give up the money. I would suggest that the downtown business association funding be looked at, to be transferred to the cultural affairs people. Because you're going to need the money. You have redundant and overlapping services. You want to have some measure of control over it. And that's where city employees are very handy. Because you can control that. You need to have these functions ongoing throughout the city. Not specifically in the downtown, but district-wide. Because you have to go after the fast nickel versus the slow dime. There also must be a secondary fund construct to start taking not what I

would call profits per se, but reinvestment into the overhead such as employee costs and the actual funding for services. Our learned director was quite prudent in mentioning cutting city services elsewhere. Now, this has a very profound and important tactic here. The city employees are already working. And if you subtract them or become more flexible in their work assignments to generate money and with our learned director's ability to quantify sales tax, that gives impetus for a pilot program. It also if you think about what Councilmember Chu said in the budget director -- or budget discussions, volunteerism is very important. And I can speak on that with personal authority on that particular issue. Flower pot City Hall, the real City Hall. I think you should really also focus in on looking at the costs of insurance for this. City is an underwriter of its own insurance. It costs a lot of money for these groups to do this so there is a lot of things that have come out here today that are positive but the negative aspects are the tough ones to make. The life boat has only so many spots in it. Who are you goods going to throw to the fish? It's up to you.

>> Councilmember Pyle: Thank you David. We do have a motion and second. All those in favor? Aye? Opposed, none, that is going forward to city council. Thank you so much. We're ready now for the 2011 legislative guiding principles. Which haven't changed too much, have they Betsy? No. That's the good news and the bad news.

>> Betsy Shotwell: No money, no changes. Thank you, Madam Chair, Betsy Shotwell, Director of Intergovernmental Relations. Members of the committee, you have before you your annual review of the legislative guiding principles. In this case it was reviewed by the Community and Economic Development Services CSU -- excuse me -- state university -- CSA. And again, there aren't a whole lot of changes. This document was drastically reformatted about three or four years ago. And since then we've been editing and revising and I have to say with this document as the memo highlights, the bulk of the changes as I explained to the neighborhood services committee really were from housing in the area of foreclosure. And seeking greater support at the federal and state level, for cities having to do with the foreclosure issue. So we tweaked and modified and -- or updated that issue, because as you know that was not on our radar, three or four or five years ago as it is today. So with that I'd be happy to answer any questions. This will be going to full rules and council

early December and again it will be the foundation of our legislative advocacy in Sacramento and Washington, D.C. As well as the regional level.

>> Councilmember Pyle: I'm sure we have questions. Yes? No, Sam?

>> Councilmember Liccardo: Sure, why not, I'll try to be quick. Under support efforts that keep San José safe, and I know this isn't specifically CED, but it could be conceived as economic development, I'd like to see us consider promoting a priority of federal regulation over marijuana distribution. So that the city can get out of the business of having to deal with marijuana dispensaries. And hopefully, the FDA will move them from schedule 1, marijuana from schedule 1 to another schedule so that the drug can move into pharmacies and out of the neighborhoods and out of various businesses throughout our city. Because we don't have the resources to regulate it properly and FDA should. So that's all wrapped up around schedule 1 issues, and the lobbying there would be specifically at the federal level with the Department of Justice in particular. Secondly under C protecting and increasing local funding, I was a big supporter of the Obama health care legislation but one thing it didn't contain is health care cost controls. It maybe elsewhere but I didn't see it under section C, Betsy. You may have had health care cost controls somewhere else.

>> Betsy Shotwell: Right, you asked to have it added last year. Let me check on the language of cost controls, that's one of the questions you and others had with regard to health care. Let me wrap that language up as needed.

>> Councilmember Liccardo: Great. And then as we're considering different infrastructure maintenance alternatives, under H, promoting investment in infrastructure maintenance and rehabilitation, I see point 1, which is promoting legislation that increases local control of utility infrastructure -- actually that's utility, I'm sorry, I'm looking at the wrong. In any event under H it would be nice to see us advocating with any other cities or league of cities for clear flexibility in the use of mechanisms like community facilities districts because of the various restrictions around those legal entities it makes it very challenging for us to use them as districts for ongoing maintenance and operation of our basic city infrastructure, lights, streets, et cetera. And having greater flexibility

in how those can be applied, I know will require a lot of lobbying in Sacramento. Hopefully, other folks will be pushing with us.

>> Betsy Shotwell: Okay, all right, I'll need to work with the attorney's office on that language.

>> Councilmember Liccardo: Great, thanks, Betsy.

>> Councilmember Pyle: Any other questions? I need a motion.

>> Councilmember Herrera: Motion to approve.

>> Second.

>> Councilmember Pyle: Before we take the vote David has a comment. Sorry I didn't use this. Has a comment for us.

>> David Wall: I would like to see a systematic review of the costs for all these lobbyists with special reference with Patton Boggs. I believe we're not getting our money's worth from our elected officials. I think that you, Your Honors are.

>> A unique position to light a fire under those rear ends to start working for the people that they represent instead of having all this budgetary outlay. I think it's what, \$600,000 for Patton Boggs alone? And I'm not impressed with our state people at all, one single bit. Support efforts to keep San José safe, that's great. You subtract Patton Boggs, you've got at least six San José firefighters right there. And you mention it, Sam, I mean you want to keep San José safe, you've got to focus in on your main, your sole job and that's public safety. The housing side of the ledger comes with a cost. Every time you go for this low-income housing business there's no formula, no established formula for the services that these projects require. Projects are specifically, are the cost are police, fire and code enforcement. So where you're trying to give tax exempt -- or benefits to get these

projects you're going to lose on the back side and you're going to lose big. So I would stay away from this affordable housing business all this other business because it's antieconomics, long term. Thank you.

>> Councilmember Pyle: You wanted to -- oh, yeah, absolutely. We have a motion and second. All those in favor,.

>> Councilmember Liccardo: I just wanted to note Betsy actually paragraph 11 you have it in there on health care. Sorry, it's in there after all. Anyway.

>> Councilmember Herrera: I have one more question. I don't know if this is appropriate or not.

>> Councilmember Pyle: Okay.

>> Councilmember Herrera: I just want to ask a question. Is there anything in here that I could interpret as being supporting creating more manufacturing jobs? Just attended with Silicon Valley leadership group and some of the strategies that they've produced to create manufacturing jobs. And I just -- I think it's so important, I know we talk about job creation.

>> Betsy Shotwell: Right.

>> Councilmember Herrera: But we really need to focus in on those manufacturing jobs as distinct and apart from the service industry. I think everybody's in agreement that if we don't revitalize and bring back manufacturing that our economy locally and nationwide is going to be in continued serious trouble. So I don't know, I'm not offering the exact language there, but policies that would encourage, incent companies to set up manufacturing operations in the United States. And I don't know if it --

>> Councilmember Pyle: Betsy's going to note that. Did you have a comment, Paul?

>> Paul Krutko: I was just going to say to Councilmember Herrera I think I know what you're referring to --

>> Councilmember Herrera: I don't want to get into exact tax policies, or anything but just policies that we --

>> Paul Krutko: So you're saying more emphasis on encouraging policies at the federal level that would encourage manufacturing, but not specifically sort of repatriation of money.

>> Councilmember Herrera: I'm not sort of saying specific things, because I think there's a lot of discussion that has to occur with legislators and with companies and with various stakeholders to put that formulation together with policies that are going to definitely incent companies to set up manufacturing here.

>> Paul Krutko: Well and I think that that also is an area particularly in state policy that we could probably identify some specific things. Because --

>> Councilmember Herrera: State and federal, yeah.

>> Paul Krutko: Because there's significant difference between California sort of industrial policy and Alabama's industrial policy.

>> Councilmember Herrera: Yes, right.

>> Paul Krutko: Or Texas.

>> Councilmember Pyle: Okay, I think we are ready at this point to vote. It was a good point to bring up. All those in favor, opposed, none, that is accepted.

>> Assuming that the motion included all the post-comments that were made to the motion.

>> Councilmember Pyle: Thank you, Ed, you're keeping us honest. We're ready to move on now to the status report on design-build contract negotiation and program validation, and we have Katy Allen and Harry Freitas with us, thank you.

>> Katy Allen: Thank you, Councilmember Pyle and members of the committee. This is really a realtime report. We don't have anything in writing, we don't have our written presentation, in fact I'm using Paul Krutko's slide because it has a picture of the convention center on it, kind of as a backdrop for an update. Since Council took action to approve the ranking of our design build contractors three weeks ago we have been doing a heck of a lot. I wanted to give the committee an update on where we are. On the negotiation of the contracts I wanted to let you know it's going exceptionally well. We used the foundation of the contract that we had at the airport to kind of kick-start where we were. Very few issues. There's a lot of details but there's nothing we think we won't be able to solve. The other thing I wanted to mention when we negotiated the airport we feel we got a good markup at that time, because it reflected the construction market at that time. We're getting the same market markup today in today's real time. So it's very, very priced competitively and we're really appreciative of Hunt being -- not wanting to waste a lot of time giving us numbers that are out of the ordinary, but they are very, very representative of today's market pricing for markup. So we're very pleased there. We expect that we're going to bring the contract back to council by December 14th. We expect that we will be asking council to give us the authority to award after the bond sale, so that they can go ahead and get started. The bond sale probably won't be funded until after the first of the year so it would be more of a delegation of authority to award. So that's going very well. The other effort that is significant is what we're calling program validation. As many of you know, the program was in development for a number of years. And what we want to do, in fact it's this Thursday, we're spending almost all day in a workshop with the architecture, who I will mention is doing this before his contract is even awarded and executed. They're doing it on their own dime. They're flying in tomorrow night. They've already spent a considerable time in San José. They want to spend more time in San José between now and the end of the year. In that workshop we're talking about the users and the hotels and we want to validate that for this amount of money on this schedule there's a real project. We feel really confident that there is. But we really want to check in on the priorities for the project. To be honest with you -- to be honest, there's some things that we must have. We must have a facility that has good systems, that heat and cool and chill and all that. I'll also mention that our

system also supports the Hilton, so it's very important that that works. Those are the must-haves. What we want to do is balance the discretionary money between the expansion and the renovation, and that's what we want to nail down and get confirmation on, where we're going to be spending our money. We have a lot of work to do in the next, let me do a little subtraction, six weeks. But we're very pleased on where we are. We're moving very quickly. And I want to say that Hunt and Populous have been in town a lot, they continue to be in town, and they continue to be very invested in our project and hit the ground running before the project's actually executed. So with that we'll answer any questions that the committee may have.

>> Councilmember Herrera: It's exciting, I just want to see the thing get going. I'm just really excited about it.

>> Councilmember Pyle: Sam.

>> Councilmember Liccardo: Yeah, first of all Katy, I'm sorry to hear you're retiring. We're much more sorry than you are. I know you're thrilled, probably, but we're very sorry to lose you.

>> Katy Allen: Thank you.

>> Councilmember Liccardo: I just had a quick question about all the planning around design and so forth. And I know that there have been a lot of people from a lot of different organizations involved in all this. But knowing that we can't build, what we'd all like to build in an ideal world with plenty of money and we won't be competing necessarily against the size of the centers maybe at Vegas or Moscone or elsewhere, I know we're talking a lot to event planners and that kind of thing but have we talked to corporations specifically, and I'm thinking particularly about Cisco, since they've done so much around virtual meeting space, around whether or not we could sort of focus on a niche of company meeting space that won't necessarily fit in the general category of, you know, the kinds of events that most convention centers tend to attract, knowing that you know we may have challenges competing there but we could compete uniquely in other niches. Has there been much interaction directly with companies around company meeting space?

>> Katy Allen: There have been some. In fact, it was the summer of 2007. I don't have all of the users that were identified, but I believe it was the Adobes the Ciscos, people that had had events in San José that no longer were here. So we have a three-ring binder of what that feedback looked like. We've passed that binder onto our architect. He's read all of that and I think there's a couple of important aspects to this. One is if we have the information, we don't want -- we don't have time to waste the information we have so we need to use the information we have. But if we have gaps in the information we need to fill gaps. Over the lunch hour today we had a conference call with the architect and the contractor. They really want to get into San José. They want to meet with individuals in our community that use our facilities, talk to them firsthand. So there's kind of not wasting the information we have but filling the gaps where we don't have complete information and I think that's very much in line Sam with what you mentioned.

>> Councilmember Liccardo: Great. And I just hope they go beyond the first line of event planners and go into actually talking to our companies, thanks.

>> Councilmember Pyle: Katy I see you are working right up until the bitter end. Appreciate that. So any others?

>> Councilmember Herrera: I just also wanted to say it's been a pleasure to work with you Katy, I was really sorry to hear about your retirement, it's probably good for you, we'll miss you. In terms of the project again, getting back to the project when the designer came and spoke to us, you know, at council the other day I was really impressed and excited and you know I may be getting too excited about it because it sounded like we were going to get even more than we bargained for or maybe they're just good salespeople. But I did have hope in the way they talked about it that they were going to do some really creative things. After going down to San Diego and seeing their convention center, I have to say, I just wish we could change the whole front of ours, you know, because it seems like we're just wasting so much space and not really utilizing it. Realizing we're not probably going to be able to do that in this go-round, are we going to have -- is this going to be planned so that it will take into account maybe a future opportunity to do that? Because I can't imagine at some time in the future we're not going to be looking at doing something utilizing more of the space in the front in a different way.

>> Katy Allen: I think that's a great point. Whatever we do we don't have to throw anything away and we want it to be used in the future expansion as the funding becomes available. So as we go through this program validation we identify things that we can't do now or that we can afford if there's savings. We start prioritizing this Thursday, this is what we have to have, this is what we want first and this is what we want second, third, fourth. And to the degree that we find savings, then we can bring those into this project, this go-round or if there -- or if we can't afford it this go-round I'm looking at Paul because I know with the T.O.T. aspect of this and I guess there's some good indication now it's doing well, whether or not there's the ability to increase funding for a future project we'll have to you know address that when that time comes.

>> Paul Krutko: Well the financing scheme that we're working on right now is going to just preview a little bit, I think our current thinking is that I did preview with council that we are probably going to have to commit beyond the 4%. We're going to have to commit the 1.5% that we're using for CVB marketing now. If T.O.T. does well in a year we wouldn't have to use it but we'll need it to underwrite it. But actually preliminary indications indicate that we might have to be talking with hotel community about turning the blinker on early. Because the collections, we wanted to build up the reserve account. You know we're not building anything now, we're collecting it and we just haven't had the level of collections. So we're still working on that but it's just to preview that a little bit. But Katy's right the underlying bond structure would be flat at that 4% so that we really are taking care of financing a project as it is. The notion is twofold. One is that this -- the hoteliers have agreed to put something on permanently. So as revenues rise above that baseline, we'll start getting a gap that we'll be able to reinvest in the facility. And so we'll have opportunities to do maintenance things that we haven't done before, and we'll have opportunity to maybe consider larger projects as well. So that's sort of the promise of the approach is that we would be able to really take hold of the building and do what we should have been doing for years and years and years. So --

>> Councilmember Herrera: And I think the plan was great because this provides the sinking fund right for maintenance and the maintenance is a huge issue. I'm not -- don't mean to down flay current project. Really excited about that. I guess I was hoping as I was listening to this designer talk, that he's going to know what's best practices and what we could do with this facility, what would be the best we can do. I'm hoping that we'll hear that

too and we'll be hearing good that in stages and we can make the full use of that over time to get the best facility so we can compete overall as much as we can with the size in every area.

>> Katy Allen: And I'd like to emphasize one of the directions that the council gave to use design-build. That gives you the opportunity to get good architecture but also just be extremely efficient in the way you build it. So let me give you a quick example. When the old MLK comes down, I'm kind of mentioning that because it's going to happen soon after the first of the year. We can use that excavation area for the use of the area. So there's a lot of efficiency. Like I say when the agency, we're working so closely with the agency and there's a complete exchange of information. We don't want to waste time recreating information that already exists so it's going well.

>> Paul Krutko: So if I could just give the committee just the next milestones, Katy gave you them a little bit but if -- I won't maybe just add a few more. As Katy mentioned this week Thursday is this very significant program validation meeting. I'm booking a meeting to happen the -- what we're calling the first week of November I guess which is next week. To meet with the -- it was the convention facilities committee, that was the committee that was going to have four members appointed by the ratepayers if you will. And three from the city and one from the agency. And we're going to go over the design-build validation with them as well as the plan of finance that I have briefly outlined here. During the early part of November, finance is busy working actually presenting the project to various rating agencies to get feedback on their appetite for the project. And this is where I'm adding a little information here which is beyond what sort of Katy was talking about. At the same time, as this committee is well aware and the council is well aware, we're doing some audit work around Team San José and the two are intertwined to some extent. So again, we have this meeting with the convention facilities committee, first week in November, the city audit as well as the city auditor's audit, there's two different ones, an agreed-to procedures and the other a financial audit, is to be done November 15th. So that would mean that November 22nd is the date that the staff reports are due. On the expansion and the financial feasibility projects as well as the Team San José audits. On December 7th we are scheduled to make a presentation, come back to the council just before you but try to finalize the grand jury report and the audits. And then on the 14th we would come back with the authorizations that Katy was describing, relative to the design build contractor and getting a resolution to issue the bonds. We think the bonds would close potentially, if that stayed on schedule, sometime at the end of

January. That would mean sometime end of January beginning of February you would begin to see activity on the site. So that's from essentially the 1st of November to the 1st of February we've got a lot to get done but very significant work. I wanted to give the committee the sense of we do have to come back and resolve the grand jury audit issue while we're bringing the financial package together at the same time.

>> Councilmember Pyle: Wow.

>> Councilmember Liccardo: Good luck with that.

>> Paul Krutko: Thanks, I appreciate the sentiment.

>> Councilmember Pyle: Okay. I need a motion to accept the staff update.

>> Councilmember Liccardo: Yes, notion approve.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: And all those in favor, there are no opposition so that is approved unanimously. Let's move on now to the status report on foreclosures. Allocated 20 minutes. It is the last item.

>> Good afternoon. My name is James Age with the housing department. This is Marlene Santiago, she's our foreclosure help center manager and of course Mike Hannon. We're here today to provide a very brief update on our foreclosure efforts. We reported to you a few months back. So Marlene's getting ready there, okay, let's go on to the next slide. So I just wanted to kind of really quick run through the agenda. Again it's going to be a brief update because you have a lot of information in your reports. We'll be answering questions afterwards. The first piece will just give you a really brief update on the trends in San José. And then we'll be talking to you about basically the four categories that we've broken foreclosure, our foreclosure efforts into. The first being our prevention efforts. The second would be the intervention and successes and challenges. The third category is

neighborhoods. And the last piece of legislation and policy updates. So the first piece I wanted to talk to you really briefly about is the trends here in San José. As you can see from the report and from the matrix up there, foreclosures have actually dropped in the first half of the calendar year. Currently we're at 800 -- of course we were between January and June we were at 885 foreclosures which is significantly less than this time last year. So that's one good thing. Even though we've had a lot of -- we've had a drop in the numbers, there's still been a significant amount of activity with regard to foreclosure. The number of days that it's taking banks to foreclose, has extended almost 100 days more than this time last year. It takes an average of about 275 days to foreclose, right now. Whereas this time last year it took about 183. So that's one change that we've seen. In addition to that, you may have read or heard that several banks across the country have actually halted foreclosures for a short period of time. Here in California, Bank of America actually halted foreclosures in all 50 states. Now they're back to foreclosing again as of October 19th, I believe, was the date. So there is a lot of activity going on. If you go to the next slide. This is just a kind of a brief picture, or a picture of where the foreclosures are scattered throughout San José. As you can see, it really is scattered throughout the city. Go on to the next one. So really, what we want to look at is, what are our efforts focused on? What is the housing department and the City of San José really able to do with regards to foreclosure? And one of the efforts that we're really focusing a lot on is the outreach and education piece. We're really -- we really want to ensure that we get the word out there that there are resources available. We've heard a lot of nightmare stories about people who have gone through foreclosure and didn't know there were resources out there. So we really, really want to make sure that everybody has availability, you know, there's resources available to them. On top of that a big piece is education. A lot of people don't understand what foreclosure is, when they get the notices, what they can do. And of course Marlene and the foreclosure help center is here to really you know work on that and educate the folks that are out there. In addition to our foreclosure help center we also have a foreclosure task force which is made up of a variety of different nonprofits, legal agencies, as well as Realtors and other industry experts who are really, in addition to our outreach efforts, are also reaching out and trying to educate the public on foreclosure. So with that I'm going to turn over the next slide to Marlene which is the intervention piece which is her main focus which is working directly with those folks who are in foreclosure or in, you know, the process of foreclosure.

>> Thank you. My name is Marlene Santiago with the foreclosure help center. I'm the program manager there. To date we've had successfully assisted 1,491 clients who have either called our office or come in for services. We've packaged over 307 loan modification packages to be presented to their counselors, which are local HUD approved counseling agencies. Who review those files and in turn have them bank-ready so that the lender can either -- we hope that they would approve them, but make a decision for that family. And over 188 people that we've assisted we've had them go directly to the HUD approved counseling agencies and the main reason for that would be because of the time sensitivity, people that are really close to foreclosure, we want them to be able to get that assistance immediately, rather than waiting long. Usually it's about four weeks average to get into the HUD approved counseling agencies. But with the agencies we've set up a priority basis so if somebody is in desperate need, they need a foreclosure counselor immediately they can talk to somebody on the phone as soon as they call, basically. And many of those folks are also calling from out of state. So we're able to get them hope in their localized communities. To date we have reported 43 loan modifications, to folks that have been able to remain in their home from those 307. 68 families have been referred to the one-stop refer -- sorry, the one-stop homelessness center. In turn they either received rental assistance or housing. Typically this is a post-foreclosure client, and 277 individuals have been referred to nonprofit legal agencies. Usually that's for fraud recovery. We're still seeing many people who have been affected by the loan mod scams and also predatory lending and they are also referred to those agencies if we feel that they need to seek an expert in seeking a consultation with bankruptcy. And see, the next slide. Our challenges continue to be the physical signs of lack of income, and job loss, and through the loan modification process, it continues to be a struggle for our counselors, as well as the homeowners. Trying to seek assistance, we're seeing that long term loan modification trials. So sometimes they say the trial will be for three months but it extends farther without a permanent modification. We're seeing that some folks are given that trial modification, and so they're prequalified, but then at the end, they're denied the modification altogether. Approvals are coming out differently, when the homeowner calls the bank, they let the homeowner know that they've been approved for certain terms. But when their documents arrive in the mail their completely different. And usually it's not to the benefit of the homeowner. The staff that is at the banking institution, they're very limited in the authority on what they can do for the homeowner. It seems like it's very scripted, and so we're not very successful in that means. Because the entity that we're working with doesn't seem to be on the same channel as the counselors. And another good example

would be, when the homeowner is denied on the telephone, they're simply just told I'm sorry you've been denied and without giving a reason, they let them know that they'll get that decision in the mail. And in that letter it just simply says that you didn't meet the guidelines. So it doesn't let the counselor or the family know whether they had insufficient income or sufficient. So it's still a big question mark on those decisions. The good news would be that Cal FHA has come up with some new programs that will be implemented at the end of the year. Keeping your home is what they're called. There are four new programs that are now being recognized which would be employment mortgage assistance subsidy. That would allow the homeowner at least six months of payments, if they found that somebody had involuntarily lost their employment. Another program that has been recognized is principal reduction. So hopefully, bringing those values down, so that the homeowner can actually afford the payment. And also, mortgage reinstatement assistance. So if somebody has fallen behind the payments that are delinquent, they may be able to get the funds from this program. And also, the last one, which is transition assistance, which goes hand in hand with the short sale, allowing the homeowner to have moving expenses, possibly up to \$5,000, that would help with community stability. So these programs can be interchanged, they can have more than one of these programs used. But again, Cal FHA is asking that homeowners seek the counseling through the HUD approved counseling agencies to determine whether they fit into those programs. And credit problems continue to be in existence, because of the delinquency in the payments. Let's see. And if I could just share one success story in brief. Along with loan modifications and answering questions from individuals that come into our office, we had a lady from District 6, a homeowner from District 6 come into our office. Her trustee sale was going to be on Monday. It was Tuesday when she came to our office. What she was trying to do was basically get a reinstatement quote from her lender, so that she can pay the eight months that were delinquent. The lender let us know that that reinstatement quote wouldn't be available until that Tuesday following the trustee sale date. They also asked for additional information, they wanted proof those eight months of payments, and she had to show them their bank -- the bank statement before she can get the wiring information. So she felt that she was getting the run-around to be able to save her home. But the good thing is that she did have the funds, actually, to pay the entire amount of the home, if she could. But it was unfortunate because of a medical condition she wasn't able to read the letters that were coming to her home, so she did not understand the foreclosure time line. But because we were able to refer her to one of our nonprofit attorneys, he was able to go in front of the judge on that Friday beforehand, explain the situation, the foreclosure was stopped,

she made her payment and she remains in her home and she's decided to get bill payment so she doesn't have that problem again. So that's one of the successes that we're able to share with you today on how the foreclosure help center has been able to keep folks in their home. Thank you.

>> Before I get into the neighborhood piece I want -- one other little success I want to share, is a big part of this obviously is the scams. We're reading and hearing a lot about folks who are being scammed. And one of the successes that we feel is really a big victory for us is the fact that the Santa Clara County District Attorney's office is now putting the foreclosure help center's phone number along with some other help at the bottom of all the letters that go out with regard to foreclosure. So that's a big victory because we want people to know that we're here, that we're available, and that's an official notice that goes to everybody. So just wanted to share that. Moving on to the third category which is neighborhoods. I've said this before, our first choice is to prevent foreclosures, obviously. We would love to try to keep everybody in their homes if we could. Unfortunately, the reality is that a lot of the foreclosures are going to continue to happen. And we need to be prepared, and look at what we can do to prevent our neighborhoods from declining as these foreclosures do continue to happen. And so we've got a couple of different efforts going on. The first I'll talk about is our neighborhood stabilization program. I did talk about it at our last presentation. So I'll kind of brief you on our NFP 1 which is our first allocation. With our first allocation we have committed all of our funds. We are now working on program income that is coming back from the resale of properties. With the initial grant we were able to purchase 12 single family homes and two multifamily buildings. We have already been able to sell 11 of the 12. Nine of those are going to families that are low-income. And the balance of those are what we call our moderate income. Of those we have six single mothers who now have homes for the first time. So another little success that we don't mind bragging about. To move on, collaborative efforts, one of the things that we were actually able to do with the first allocation of our NSP funds is really reach out and create, you know, our networks. We've learned a lot from our first round of funding. We've been able to implement that in our second grant which is a \$25 million grant, that's being shared by City of San José housing trust of Santa Clara County and neighborhood housing services of Silicon Valley. It's a consortium of the three. The City of San José is responsible for implementing two of the three major programs. The first is the single family acquisition rehab which is very similar to what we did with NSP 1. With NSP 1 you saw that we were able to purchase 12 homes. With NSP 2 we are looking at somewhere between 65

and 70 homes. So it's a pretty big increase in the number of homes we're going to be going out there and servicing. As I said before it may not seem a big number when you look at that big 885. But really what we're doing is we're going out there and we're trying to, you know, address some of the neediest homes in the neighborhoods and really address those that are really being neglected. So we are hopeful that that will make a big change in the neighborhoods. We are right now in the middle of selecting a developer to work with us to go out and purchase and rehabilitate and resell the 65 homes. We hope to have our recommendations really soon. With that I'm going to turn it over to Mike and he's going to talk about code enforcement's efforts out in the neighborhoods.

>> Thank you, James, and it's always a pleasure to be before the committee. Code enforcement efforts haven't changed in this area since we last spoke. We continue to treat vacant foreclosed properties as a priority in code enforcement, meaning that we will have an inspector respond to the property within 24 to 72 hours. We recognize that most of our residents won't make that immediate call to code enforcement when they start to see a property blight the neighborhood but we're continuing to encourage residents to do so. As you can see just in some of the photographs that follow, you'll see that you know properties that we were coming across on the left typically is what we're seeing the overgrown vegetation and we're not waiting for the banks to abate these nuisances. We're actually having code enforcement abate these nuisances right away. Because not only are they an attract nuisance but if left unchecked do create significant deterioration to the neighborhood. Here you see before and after. And I'm making note of the bank and the financial institution that actually owns this property in this particular case. Next slide. Again, some of the conditions that we're seeing on some of these properties, and then the next slide. And then the last slide. As mentioned, we continue with a no tolerance approach. When we find out that a property's owned by a bank owned or a lender, we are issuing an immediate administrative citation to the bank. They have a responsibility to the community and to that neighborhood. And we're trying to change behavior so that they understand that owning property in San José does come with some responsibilities. And we have seen some successes in this regard. We have seen for example Bank of America has told us here is my representative, in San José. This is the person that you can contact. We will take responsibility from our -- you know for our properties. So we have had some good results with some of these lenders but it has taken some time for us to get here.

>> Councilmember Pyle: Mike, can I ask an interim question?

>> Yes, ma'am.

>> Councilmember Pyle: When you get in touch with Bank of America for example, they have to pick up the cost of whatever you spend to correct the property?

>> Absolutely. Not only do we issue them a citation but if we have to abate the nuisance they are going to pay the cost to the city for our actual abating of that property and then the cost that we the city incurred in overseeing that abatement as well. And finally I do want to make sure I thank the councilmembers, not only on this committee but the entire council for the adoption of the vacant building ordinance which in essence expanded what we've done successfully in San José with vacant houses to include now commercial, industrial and historical structures as well. So that's been a real credit to San José, in ensuring that we preserve and protect, not only our houses but our historical structures as well so thank you for that.

>> Councilmember Liccardo: Thank you, mike.

>> And the last piece and I'll try to get through this quickly. The legislation and policy piece, that's kind of one of the key areas of foreclosure that we're really trying to stay on top of, as far as understanding what's out there and supporting efforts from state, local, and federal level. At the time when we produced this slide we had two new federal issues or federal programs that had actually added money to existing programs to help folks who were either underwater and need to be -- have their mortgages refinanced or who may have had a loan that was fine, but now they're unemployed and facing foreclosure. So there's a couple of programs there that have -- that show some promise. As Marlene mentioned the Cal FHA program brand-new, we haven't even had a chance to evaluate how that's going to be implemented but it is something that we're constantly researching and staying on top of. One of the -- we noted one of the state legislative efforts that was out there was AB 1275. Unfortunately it was not moved forward. But, you know, I did make sure we wanted to mention it because it is the type of effort

that we would support more than likely. And that's to add some regulatory measures to loan modifications which is I think something that would really make a big difference in all of our efforts. One of the things that the housing department has recently done, or we are actually working on, is a best practices study. We've actually reached out to several other organizations, local, state and county organizations, to see what best practices they use for their foreclosure efforts. We're still in the process of researching that right now. We are finding that a lot of the things that other communities are doing, we're doing as well. And that does show some promise, and as far as some future efforts that we might be able to move forward. So with that, I'm going to go ahead and open up to some questions if you have any.

>> Councilmember Pyle: I'd like to ask one first. You mentioned other communities and we stack up pretty well with them in reference to how we're dealing with all of this.

>> Right.

>> Councilmember Pyle: Does that include neighboring cities or cities in the state?

>> It does. We actually wanted to take a look at not only the cities that compare to us in size but communities all across the board. Cities that were close to us in size, smaller, we looked at efforts on a statewide level across the country, Florida, everywhere. We just want to get a good idea of what everybody else is doing so we can see is there something else we can do to help prevent foreclosures.

>> Councilmember Pyle: And then I'm hoping in reference to -- there is an SB -- well, they're both Steinberg and Leno right?

>> I honestly don't recall, I believe it was Leno --

>> Councilmember Pyle: It didn't get out of the appropriations committee that had to do with budget, hopefully it will come back when things come back, hopefully --

>> As far as we know nothing is new and hadn't been repropsoed. We are hopeful that something will move forward because that is one thing we all agree on, is we all need some regulatory measures when it comes to the modifications.

>> Councilmember Pyle: Questions?

>> Councilmember Herrera: I had first thank you for the report. And I just wanted to kudos again for the wonderful way the NSP program has been conducted. NSP 1 and I had the pleasure of being there in August for the recognition of NSP 2 that came in. And at the house there, that I was able to tour, which is in my district or heron, it is so -- that is one of the positive things we can say about this. There is not a whole lot of positive you can say about foreclosure. But taking a house that was blighted and really updating it in the terms of energy efficiency. So you're taking it one step further than just remodeling it, you are making it a model home in that community. People gain a lot of pride from that, there are so many benefits from that and can't say enough about that.

>> Thank you.

>> Councilmember Herrera: I had a question on the slide on 191 clients served. So looks like about over 800 would be the actual counseling and things. So the rest, the 600 or so additional, would that be people that have just called and asked questions or is that --

>> I believe so. I'll defer to Marlene. She's the one that takes a lot of the calls and --

>> It's an array of questions so we serve as a hot line, so folks will call for anything. It would be because of a new legislation, because they're a tenant who is in need of legal services. So it's anything out beyond what's listed here. We've documented these folks because these are the ones that we're focusing on hoping to keep in their home.

>> Councilmember Herrera: Okay, and I thought I had another question but I'm not remembering right now.

>> Councilmember Liccardo: Just one question. First thank you for all of your extraordinary work on housing, code enforcement, all around. I really appreciate it. Question I had, Reagan Henneger on our team has done an extraordinary amount of effort, has put out an extraordinary amount of effort to try to explore a concept in which we could try to engage folks in the local multifamily rental market to be stepping in and managing properties for the banks. And try to convert some of these foreclosures into leases and maybe hopefully lease-options. That is, lease-option to purchase for many of the families who are in the homes post-foreclosure, so that they're not simply staying there expecting that any day that there will be -- the gauntlet will drop and they'll have to move on. But kids can stay in school, families can have some continuity, and maybe paying rent, and hopefully, transitioning into an ownership position later on down the road. We've been -- we've had good success in engaging with tricounty pharmacist association and folks that said hey, folks who can make it make sense for us economically, a bank that is willing to pay fees, we are willing to step in. We had no success at engaging banks at all levels we tried. Banks are absolutely not interested. They are more interested in people staying and not paying rent and eventually foreclose, and sell at the bottom of the market price and take a huge loss in than they are in any way engaging anyone in actually managing a property responsibly. Which I found pretty frustrating. And I'm wondering if you've found any opportunities or any window of opportunity, in light of the changes we're seeing now in the market that we didn't see, say, six or 12 months ago?

>> Well I think there's a couple of promising notes, one you've been a lot, involved a lot in the city's investment policy. So at least there's a dialogue. I'm not sure how successful we are right now with convincing them to move forward with modifications, but at least there's a little bit of a dialogue. As well as with our efforts in NSP 2, we have talked to a lot of the banks. Of course they're approaching as being able to sell as their property so it's a little bit different dynamic. But again, at least it's a dialogue with the banks and what it does is open some of the doors National, we're meeting with Fannie Mae and some of the other bigger organizations to be able to kinds of talk about foreclosure in general not just the NSP. I think if there's any glimmer of hope that's it, but I agree with you in terms of resolving the issue we haven't had a lot of discussion with the banks.

>> Councilmember Liccardo: Well, maybe we can follow up. I know you've got a limited pot of \$25 million within NSP 2, but maybe there is an opportunity to inject that conversation into the one you're having when they're trying to sell you their property. That would be really helpful.

>> Leverage.

>> Councilmember Liccardo: Yes, thank you.

>> Councilmember Pyle: Question for Marlene and this has to do with some of the horror stories I've been hearing out there, in reference to things that happened, and we have the real estate community and the banks to blame, where people were actually knocking on doors of those who are renting and saying well how much do you pay a month in your rent, oh we can get you into a house for that and then those packages were put together, they weren't even looked at, and many of them were sent on as prime grade assets, A-quality. And sent basically all around the globe. And it seems to be a really complicit what shall we say, between the banks, they all got their fees up front. That's the thing. They're over and done with and it's darn hard to prove but no one has had any form of recompense for their actions. And I just wondered, do your -- the stories that you heard, do they corroborate with what I've been hearing, in reference to that being the reason they even got enticed into a housing situation, into a home?

>> Not that particular story. I mean, many stories are very unique, that we kind of just -- it's very surprising. But when we do encounter things like somebody may have been put into a predatory loan and such, the legal agencies that will examine it further to discover if that's true, truly happened.

>> Councilmember Pyle: Are you talking about the DA's office?

>> No, we have local nonprofit partners that we work with, fair housing law, Bay Area legal, the legal aid society, those agencies will look further into those kind of complaints. So when somebody does call us, we're thought the

experts in that area. But we do hear many stories. So we refer those individuals to those individuals who can better service them.

>> Councilmember Pyle: It seems like a crime that was perpetuated on people and nothing has been done to punish the people that did it. Rose.

>> Councilmember Herrera: I remember one of my questions. I keep trying to get a handle on just 0 up foreclosures there are. I'm looking at your numbers on the chart here showing 3,569 from January to June 2010. How does that compare to the same time period the year before?

>> Yeah, I know the chart may be a little confusing because it breaks it down in the different categories of the different stages of foreclosure.

>> Councilmember Herrera: I'm looking at the filing, do a I double that, less than similar, compare apples to apples. I'm thinking we're on a track to have significantly less for sure.

>> Significantly less. I think I wrote down the note here that it would basically -- we're looking at about 500 less actual foreclosed properties by the end of the year if this trend continues.

>> Councilmember Herrera: Trend continues, great. I wanted to ask you, because you guys, the example you gave when you talked about the person who received notice and then would have been foreclosed upon had it not been for your help, I just wonder, I can't help but think how many people didn't make it out there and were just out in the cold because they didn't make it into the process in time. And again I want to commend you. I'm very proud of San José's efforts, I just want to say that. Proud of San José's efforts, proud of our council for the position we took in the social responsibility aspect of investment. Even though it's a little bit misunderstood what we did I think we did have an impact and I want to say publicly, that so did the community. PACT has had a tremendous impact locally and nationwide in putting people's feet to the fire. And as much as I think we have to be careful, because banks are our partners, we do business with them and we want to work with them. They are doing good things

for the city, too. I think nationally and locally, it's really important that the community should keep the pressure on us as elected officials to keep doing things. Because a few of months ago we had no idea of -- about the fraudulent practices that were going to be examined in terms of these loans, and having foreclosures simply stop nationwide. I mean, that action, who could have predicted it a couple of months ago? And I have to believe that the community's continuing focus on it has helped to create that look. So as much as I'm happy that they're coming to the table and we're doing some foreclosure help I think we need to have continued pressure to be looking at that. And I wanted -- without -- I didn't want to put you guys on the spot too much but can you suggest any more policies on our level that we can take to continue to assist you to bringing more banks to participate for example in your programs, anything else you can suggest from your vantage point?

>> That is actually a very -- that's a primary focus of the best practices study that we're doing. We are looking at ways to try to engage banks, or to try to get the word out or educate more. Anything that we can do, we're trying to look at how we can do that on a local level. Because as you know there's a lot that's out of our control, at the local level. But I also want to commend the council and the city. You're right, we really are being very proactive when it comes to foreclosures. And one of the key statistics I think, when you talked about how we're putting the pressure on, is that the number of days it's taking to foreclose on the home, that extra 100 days may make a difference to somebody. And I think it's more of a qualitative thing but I would argue that we've had some effect on that so --

>> Councilmember Herrera: I think so too anyway I just wanted to commend you guys, keep up the work and even though we look at 60 houses or 30 houses those are 60 families that are going to be in a house where their kids can go to school, where their parents can be productive. It ripples all are across the community. It's really important and I really appreciate your work. Thank you.

>> Just a brief comment, if I may. You're absolutely correct, when it came to the city not only listening but then being responsive. Because I recall people acting in community together holding the city responsible for what they believed was an inability not to be aggressive and responsive to the conditions that these foreclosed properties created on neighborhoods. We had to show them that we the city could put together a program that took care of

these properties right away and we certainly don't take that for granted. We recognize that it's our -- it is our responsibility to be responsive and we continue to look for opportunities to partner with, whether it be PACT or other neighborhood association or community groups to do it better if there are other opportunities out there for us to do so.

>> Councilmember Pyle: Mr. Wall, I believe you have some comments in reference to this subject. So please come up and share.

>> David Wall: First I think the lion's share of the thanks for this entire project relies on foreign nationals, foreign countries. And their ability to buy our treasury bonds at such a ridiculously low rate, in which we have to pay back. In other words this whole neighborhood stabilization fund is illusory, it will go away. Who has benefited from this? Realtors, the people who caused the problem in part. Developers, who are going to benefit from this. Government staff, to a degree. As long as the funding -- and we will mention that our housing department I will say give good kudos because they operate under the 10% cap for administration fees. So this is good. They operate around 8% or so. The only good thing that's come out of this, and council should really focus in on, is the outstanding work, of code enforcement and the attorney's office. And with revenues to code enforcement, the funding that they retain or get from banks should come directly into their program and not be offset by General Fund allocations or reallocations. This is so that they could invest, this proactive business of code enforcement is superior. I've seen it in throughout District 3. And it is impressive. And I'd like director Horwedel and deputy director Hannon to get the lion's share of the credit here. Also the attorneys, they are not getting a fraction of this money. They're operating in off of their regular obligations. I know. I'm the only noncommunist, nonsocialist person in the room apparently. But I believe we should reward excellence and they do and outstanding job. As far as the main issue here, that has to be done by government throughout the nation, is that you have to outlaw the effects of personal responsibility, as it applies to life. Okay? You get involved into a home, you either know what you're doing or you don't, all right? Now it gives the issue that God must love stupid people because he made so many of them. But I am not sympathetic to these people who get these loans and lose their houses. Abuse if they would stay, if the economy was different nobody would complain if they made a million dollars profit. We don't talk too much about that. Thank you.

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

>> Councilmember Liccardo: Motion to approve.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: All those in favor? We are unanimously in favor of what you're doing. One more thing, open session, David.

>> David Wall: And our honorable Councilmember Liccardo gets a thank today. After all you did show up.

>> Councilmember Liccardo: I did notify our chair I would be late, make sure of that.

>> David Wall: Do not admit any wrongdoing. I was up on 10th and horning street. And I just happened to be there as the city came by to pick up the garbage at 10th and horning. And also vehicle abatement was there to do their job. And I wanted to give special mention to Darren Lanier of parking control and Alonzo Perez of DOT, and I'll put this in an official writing. But what came out of this with the parking control officer, these shopping carts. Mountain View charges 40 bucks a pop for these shopping carts that are left on the street. Now, I know we're awash with cash. There were 21 of them today at 10th and horning. Now, when you look at cost recovery, which we had an earlier discussion. 40 -- you know, 21 times 40. That's simple math and that's just one spot of the greatest slum in San José. District 3. Good job. Thank you.

>> Councilmember Pyle: Thank you very much. We are adjourned.