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>> Councilmember Herrera: I'm going to call the Community and Economic Development committee to order. I think we have a quorum now. Do we take roll? Can you take roll? Can we take roll, please?

>> Councilmember Herrera, here. Councilmember Liccardo, present. Councilmember Kalra, present. Councilmember Oliverio, absolutely.

>> Councilmember Herrera: Just in time.

>> Everyone's here.

>> Councilmember Herrera: Okay. First on the review of the work plan there's a request for deferral on outreach on tenure changes for housing developments, until May 23rd. Do we have any comments from the public? Is there a motion?

>> Councilmember Liccardo: So moved.

>> Councilmember Herrera: All in favor, motion passes. We don't have anything on the consent calendar, so let's move on to the configuration item on the agenda, which is the verbal report on the economic development activities, Kim Walesh.

>> Kim Walesh: Thank you, Madam Chair, committee members. This is the update that illustrates some of the activities in Economic Development the last month. And divided into five areas this presentation, number 1 is really core economic development work of business outreach, engagement and support. I just want to present a few examples, because I think they illustrate the range of ways that the city can add value and partner with companies. So of course, the Rightspeed event, Rightspeed is a company that does digital drive systems for trucks, that is in North San José. I think many of you attended the event this last month. This is a really interesting example of working with a company over an 18-month period to help them relocate about 20-plus people to San José and take advantage of enterprise zone and foreign trade zone. So that was a really great win. Another one

that the agency staff have been working with is the company called Sun Pods, which actually comes out of the environmental business cluster incubator. It is a solar company and the agency had provided some financial support for equipment purchase in the past and is going to be coming forward for recommendation to county for an additional \$50,000 of equipment reimbursement. This is a company that is expected to generate over 100 jobs in the next four years. Another good example of what I think is increasingly our strategy of OPM, other people's money, helping our companies access money that is not ours. So the case here is SJTC solar which just won nationwide Department of Energy competition to win \$25 million in grant money to support the startup the first photovoltaic manufacturing development facility in the U.S. SJTC solar has two manufacturing sites, one in Edenvale and one in North San José. In this case the City of San José supported this application which seems to be making a difference in success, because we were able to link this to our Green Vision and how the technology is here benefiting the city. Another example of how we help companies is the demonstration policy that we have. Two examples here both relate to the treatment plant. There is a company called FOG, which actually stands for fats, oils and grease. We decided to not put a photo up there because it's really gross. They separate the fats, oils and grease out of the waste stream and convert it to energy. This of course also benefits our maintenance of our sewer system, because all of this stuff is not problematic, but it helps us and the city move to achieve our waste-to-energy goals and clearly helps this company in the next stage of the development. Another example of course which you saw last week was DWED where OED is working with a citywide team to bring this - it's the first anaerobic digestion facility to the United States, which again transfers and converts organic portion of the City's new commercial waste program, into energy. So again, first-time use in Europe, coming here, helps the company, helps the city. The last example I have in here is really our core at work is new auto dealership, can't talk about the details of this now but staff is working with a new auto dealer on capitol avenue which is really good for all of us. I just want to pause, Redevelopment Agency staff already through the layoff, and are continuing to work together on business outreach and retention and getting the message out that San José is open for business. But I think with the reduction in capacity, we need a really smart plan about how to focus, how to focus this effort going forward. And later on this report, you're going to hear from the agency and city about the office recruitment and attraction efforts. So the second big area is really nurturing small and new companies. And we need to let the world know through a variety of mechanisms that we're really interested in new, small, startup and smart-growth companies. A couple of activities in this areas, and again, we participated in the Irish technology

leadership group luncheon, their annual awards and the luncheon hosted here at City Hall was a great networking opportunity. We also hosted -- and Rose, you did a great job providing the opening remark for the international summit on entrepreneurship and innovation which was held at City Hall with the World Bank where we had participants from 25 international incubators and accelerators operating in San José, wanting to work together going forward. And the city can play a leadership role in moving that network forward. And then of course two weeks ago the national business incubation association being hosted for their 25th anniversary, big conference here in San José and they did tours of the city's incubators as well as the clean energy showcase across the hall, across the way, across the street. So downtown is our next area. Of course we continue to enhance downtown as Silicon Valley city center, and we'll have a comprehensive report on this in June. But need to mention San José eats, you may know there was a food truck gathering here that brought 10,000 attendees to San Pedro square. From an economic development point of view this was so popular and so effective because it drew business to the retail establishments, restaurants and bars in the area. So three nearby restaurants actually closed three hours early because they ran out of food. They weren't anticipating if big crowds. The hotdog vendor said he did in one day what he normally does in three months in terms of revenue. The parking garage was 900 cars on Saturday, this event brought 3,000 cars. We are now getting inquiries from cities all over the Bay Area who are envious of our having this kind of activity in our downtown and going to work to continue to enable it. The next San José eats is scheduled for May 7th and anybody who wants to can follow on Facebook, SJ eats and follow this phenomenon. We had this event to announce to the national community the expansion of San José's convention center. There's been coverage in the Wall Street journal, national trade publications, and the Team San José team is back on the east coast this week. So continuing to build confidence in this convention center and the city. The last area I have here substantively for you this month is attracting new air service. Very strong partnership between OED, especially Joe Hedges and airport. Meeting this last month with the regional vice president for British airways to discuss service to London. We're also in conversation with American airlines because they're the joint venture partner with British airways on all flights from the U.S. to London. Meeting with American airlines in Los Angeles, and also in conversation with Singapore airlines last week with the regional vice president. We continued to present the really amazing data. If you look at the flights going, in San Francisco to a place like Singapore, almost 65% of the people flying on those seats from San Francisco are from the South Bay. That data opens their eyes and good conversations are happening. Last is a few interesting points on

awards and recognitions, the City of San José received an award, the Siemens sustainable community award, as the large cities in the United States achieving the gold standard for sustainability planning. This is with the U.S. chamber of commerce, it was in Philadelphia, it was a Tuesday so we couldn't use a councilmember, so we sent Scott Green there, and he accepted the award on your behalf. What was fun about this was, San José's name was flashed in Times Square as this was broadcast live, so this is good exposure for the city. One piece of data I wanted to share with you. The McKenzie global institute came out this last month with this incredible report, looking at global growth projections by city, going forward to 2025. And according to the report, if you look at that middle column there, San José is projected to rank as one of the top 10 international cities in generating the highest per capital GDP by 2025. So for some reason Bridgeport, Connecticut is on there but other than that we're the only U.S. city on that list. And I think it points out high productive, highly innovative community. And I would say clearly, we're on that track now, and by 2025, McKenzie is saying San José is going to be where it's at, the only big city in the United States to make that list. These two key dates for your calendars for the next month, April 27th, this week, 10:00 a.m., central service yard solar installation flip the switch ceremony and May the 15th, the Amgen tour of California, just to remind you you'll need to get up there by 2:30 and the road is closing. So that runs from 8:00 to 4:00 on that day, but make sure you're up there so you can see the finish. And that concludes my monthly report.

>> Councilmember Herrera: Thank you very much, Kim. Do we have questions from the committee, or comments? Councilmember Kalra.

>> Councilmember Kalra: Thank you for the report and I did get a chance to go to San José eats, I continually eat from the trucks because the line was too long but ended up eating at a restaurant. I think if we allow this to grow I think it's going to be very important to let it grow organically and not interfere. Zero marketing dollars did this. And it was a very young crowd, tons of Facebook and I'm sure twitter, it was just a social media driven event that brought thousands and thousands of people into town. And I know that now, they're trying to get a larger space and all that. I think that might be the lesson is to allow it to be. Because it was phenomenal. And the complaint was in were too many people which is a good complaint going forward because you can fix that by getting a greater, a larger space but it was truly phenomenal in conjunction with San José made with all the local

vendors. It was just -- it was great to see it here because I've seen things like that. Sometimes in other places not necessarily with food trucks but you know, I think that it is something that because it was created organically by the vendors themselves it was a success because it was a word of mouth type event. And I have one question regarding the food trucks. I'd never really thought about it until we were just talking about the event. Sales tax, what is their sales tax, where they're headquartered, do you know?

>> Kim Walesh: I don't know. We'll have to get back to you on that.

>> Councilmember Kalra: I was curious about that, because obviously if you're going from around and we have a number of really good trucks that wander around San José during the course of the week, and especially at these larger events, we're doing a lot of revenue, if that's the case, then we should probably find a garage and let them house them all there.

>> Kim Walesh: As their global headquarters, based in San José.

>> Councilmember Kalra: A global incubator for food trucks.

>> Kim Walesh: It is fully our intent to take advantage of this phenomenon and let it grow.

>> Councilmember Kalra: In this case it was tons of revenue helping our restaurants, which is great. I mean, especially if the restaurants are running out of food. I think the Sonoma chicken coop ran out of food, and I just never thought that was possible! But it was a great thing. And so even if the answer is oh you know, the revenue is -- the realities is still bringing people in, still spending in other establishments and it's not like we're not getting a benefit.

>> Councilmember Herrera: Parking ticket revenue.

>> Kim Walesh: The people told us they spent \$100,000 marketing and got --

>> Councilmember Kalra: It was phenomenal.

>> Councilmember Herrera: I think the long lines actually helped the restaurant business. They were complaining there should have been more trucks but on the other hand, those long lines caused people to go and seek out the restaurants.

>> Councilmember Kalra: The problem with that is people aren't going to come back, to try that again, and people were turned off. It helped the restaurants but I think there's a happy medium. There is a balance you can create where there is a healthy alliance where you can still get good crowds but not to the point where people aren't going to come back the next time around. And so that's how it was that bad in terms of crowd where people are like, this is crazy, I don't think so.

>> Councilmember Herrera: Well again, it's up to -- San José eats is an organic thing that grew up so I'm sure they will be figuring that out.

>> Kim Walesh: I believe you'll see at the May event the use of public streets and of broader area so the flow throughout the event will be better.

>> Councilmember Herrera: Great. Councilmember Liccardo.

>> Councilmember Liccardo: I just want to give a shout-out to Nancy Kline and Tammy Turnipseed for turning around permits in record time I think that were required. So it was a major hustle on our part, and I just want to express my appreciation for them making that happen. I do think there's all kinds of opportunity in that, although I don't think we get any sales tax revenue to my knowledge except for maybe the San José made program. But certainly, I know the turnstiles were moving in the parking garage and we're always happy to have the parking revenue. And I know that there's a lot of enthusiasm around how we can replicate this. I do hope though that we can do it in a way that's really collaborative with our existing restaurants and I know that's -- it's always an ongoing

challenge. I can tell you I have concerns expressed from places like Japantown and post street where food trucks exist. We can do it well or poorly, I guess depending on how collaborative everybody is, I think it's important for the city just to continue to play the role of sort of convening people to talk to one another around issues of cleanup and whether or not business is being diverted or added and I think this can be really successful.

>> Councilmember Herrera: Okay. Okay, I just wanted to say something about the international summit on entrepreneurship and innovation. I think staff did an incredible job and Jeff Ruster from Work2Future and our team from economic development folks did a great job. It was really impressive the number of companies that came there and the global reach that was obviously there and some of the comments, there was one comment that I thought was very interesting and I'm not recollecting the gentleman who said it, he was on the panel, but when asked how do we keep Silicon Valley the center of innovation I think his comment was really well taken is that we don't have a guarantee of that, it's that we have to keep reinventing ourselves. That's the whole idea. It applies to us and everything we do. We can't take anything for granted and we have to be in a constant mode of reiventon. Because that's really the DNA in what makes Silicon Valley successful. Any other comments or questions? We will move on. We have a report on the Mexican heritage plaza update and here to speak on this item is Connie Martinez, executive director of 1stAct and I think we have representatives from the school of arts and culture, Tamera Alvarado and Elisa Echiverria.

>> Kim Walesh: I would just like to say a few words to frame this presentation. Because this really is a critical milestone that we're at, and I'm doing this framing because I'm sitting in this chair. But I really want to start by acknowledging Peter Jensen and Randy Turner and Elisa Echiverria as the people who have really been driving this forward over what has been a three-year period. So just to go back, it was three years ago that council did things: One, transferred operations and maintenance responsibility from the plaza from Mexican heritage corporation to the city and directed formation of the steering committee and a process to really get to the point where we're at today where we have a business plan. Which you should have received in the supplemental memo that came out on Friday. There has been a very significant amount of public process from June of 2009 to the present. That has included this committee, has been -- received progress reports six times about this project over the period, and the arts commission has also received briefings twice. You may recall that last may, council

unanimously approved the idea of this school of arts and culture, and provided direction to go back and develop a very specific business plan. And so where we're at today is that we have this business plan which has been approved by the steering committee. And will be reviewed by you today. And then the next step is for the business plan and the agreement with the proposed interim incubator operator to be presented to city council on May 24th for a vote. And because we're in budget season now, I just want to be clear about the financial implications of this. So in fiscal 2010-11 the net amount of support provided to the Mexican heritage plaza was \$670,000. So the proposal going forward reduces that amount of support by 10%. We're also -- to \$600,000 is what you'll see in the budget coming out next week. It also introduces a new model for capital maintenance of facilities in that 10% of that \$600,000 is going to be set aside about into a capital fund to pay for major maintenance and capital investment going forward. So I just wanted to frame a little bit about where we've been and where this goes next and the financial implications and then to turn this over to Connie Martinez and Tamera Alvarado and Elisa Echiverria, with our team ready to answer any other questions that you have.

>> Thank you, Kim. You may recall at the last meeting that I had to go back and essentially convince my board that this is something that 1stAct should consider. And I wanted to share with you because I think a lot of the conversations that my board had are some of the same things that the city is -- you know will have to deal with in terms of the why and the what and the how. And so I'm going to spend time on that, and then I'm going to hand it over to Tamera to share some of more of the content pieces. So the first question I want to share is, we brought together our board for five hours at Mexican heritage plaza and really to tackle the question around what are they concerned about, what would they be concerned about going forward with this. Why would we go forward with this? What's the case for 1stAct essentially and lastly, what are we going to do. So that's really what I want to share with you. So the first thing is, and my board, by the way, these are great people, community-minded, very business-minded. So I had to get past them before I even came to see you, okay? And in fact the essence of the business plan, certainly they influenced it. But the first question you're going to be -- I think you'll be impressed, the thing that mattered most to them, is this something that the community wants and needs. They didn't even want to go there. They didn't want to talk about it if that wasn't established. Secondly, is the city on board? And of course the city's been partners all along the way and ultimately it is your decision on may 24th as to whether you put any more funds into this, this incredible facility. Next and at the essence of a business plan, is the funding

model actually doable, okay? So they are not an easy sell. They took this very, very seriously. And then lastly, and this is more about 1stAct's role, will this consume all of 1stAct's energy and what will it do to our organization? The big question is, once you get in, how do you get out? So it's the exit. You know very venture-philanthropy like in their thinking. So where they landed, after five hours of reviewing the business plan and the facility and meeting some of the community members that were involved in the process, that was really important to them, as well as sitting with a facilities expert who had done a complete inventory of the state of the building and listening to the business model and to our plan. They unanimously voted to go forward with this, which is a huge accomplishment in and in itself. But probably more importantly the message I want to leave with you on their behalf is, why would they do this? I think we all -- you all know, I hope you know, we didn't seek this out in any way, shape or form. So the first and foremost, they believe in the vision. They love the idea of a vibrant school of arts and culture that actually serves the community and leverages this \$35 million cultural asset that's already in place. They think it's the right thing to do. And I know Chris is in the audience. Aren't you, Chris? Yeah. Chris and I sort of de facto ended up sort of co-chairing this steering committee and we would return to ourselves throughout the process and say, why would anyone take our business plan that we write, in other words, you captain write a business plan for someone else. They're probably about in the last quarter of our deliberations, we figured out that, and maybe city council meant to do this, they were expecting the community to actually come up with this answer, who is actually going to do this, and the people who are going to do it are within the process. We switched gears and we -- we were taking it seriously all along. But when you have to do it, it becomes real. And so that was one of the reasons. It became real, to us and to our board. Because we had ownership in everything we said in the business plan and every number we put out there, knowing that this is really an incubation phase. It's a proof of concept phase. We're going to learn a lot and most importantly of all, it is that we want -- it is the lessons learned that we want to take forward. Looking with all those factors, combine it with mission compatibility. For those of you who know us well you know that we set out to be a catalytic force, among urban and cultural stewardship. This clearly fits into cultural stewardship but what you may not know is we also saw the connection between our multicultural leadership initiative that Tamera's been running and what we're about to launch that's been in the works for two years called the children's creativity network. In fact this afternoon we're announcing that Adobe has loaned Michelle Mann to us for a year to help us launch this new initiative, of which Mexican heritage plaza can be an integral part. So we also made the connection, mission compatibility. And

lastly, and this is really important for you to hear. My board and I believe in Tamera Alvarado and Elisa Echiverria, because we are going to offer Elisa a job the day after we sign our contract, assuming we can come to terms and they will be the two of them will be the face of this new entity. So we believe in them, and that leads me to the question of well, what are we willing to do? What's the 1stAct board and the leadership in our network willing to do? Well, we want to surround Tamera and Elisa with all the resources we need to actually deliver on this proof of concept and succeed. In service to the vision. We also want to help bring discipline and commitment to the funding model, based on the five principles embedded in everything we say and do in that business plan. You probably haven't had time to read it. It's pretty long. Have you had a --

>> Councilmember Herrera: I read every word of it.

>> Thank you, thank you.

>> Councilmember Herrera: And the communications --

>> I'm excited. I'm excited. It was a lot of work, it was a team effort. The team is in the room. The five principles are, I already mentioned one. We want to leverage this phenomenal facility in service to the community. Actually turn it into something of benefit to the east side and the greater San José and Silicon Valley as far as that goes. We also want to maximize earned income and that's going to take some discipline and hard work but we want to make sure that the building and the facility and every corner of it is working on behalf of the contributions to the end goal. During, especially, the incubation period, I actually think it's a long term goal for all cultural facilities is to minimize fixed cost. You see in the model we're very lean with lots of partners and lots of content providers. And the way that plays out is, that allows you to grow and almost like an accordion. Where you cover your base cost and your community access engagement primarily through the earned income assets of the building and that the only thing you go out to the marketplace to fund-raise for are the children's programs. But you also have an income. So it's a model that fits with who we are, that fits with the funding climate, and we're pretty excited about testing it. So that's about minimizing fixed cost. The next one is, we are actually extremely empathetic with the position that the City's in and your fiscal crisis. We get it. And I'd like to go on record saying I

think the city has been extremely generous to the cultural community. You've invested in a phenomenal facility and we want to help reduce your scope of investment. We actually do. What Kim didn't say is that the model that we're proposing goes from 600 to 550 to 500 and keeps reducing building that wrong term capital replacement which by the way mostly before we would go to RDA for those emergency kinds of needs. That's not -- that's not going to happen anymore. So in fact this could be a model for all the cultural facilities. We've got to set aside funds for capital replacement down the road. The last principle is that we want to grow a manageable dependency on contributed income. In other words, the combination of earned and having the City's partnership at a base, gives us the opportunity to grow partnerships that we feel are manageable and hopefully as you read the business plan, that you'll get a sense that we're pragmatic, you know, we're not promising you know victory overnight, we're not promising the undoable but I think we feel pretty strongly that the way we set up the sources and uses and the matching is actually something that could be done. So I'm going to turn it over to Tamera to give you a sense of the principle behind the programming and also, the work that's underway and the hopes and dreams for even this summer. But I want you to leave you with back to the empathy, if there was ever a time in the history of Mexican heritage plaza that the city -- it would be reasonable to consider shuttering the facility given your fiscal crisis, this would be it. But hopefully, you will go down the path that we're suggesting, to give it a shot. And to turn this incredible investment that you've already made into something of great value to our community. I think that's why I'm here to represent my board, and myself, that we're willing to go down this path with you, we can't do it alone. So with that I'll turn it over to Tamera.

>> I don't think I've spoken to this group before in this setting. So my name is Tamera Alvarado, I'm the director of multicultural leadership at 1stAct. I have my Demi Moore voice so bear with me. First off, I think probably only Sam was on council three and a half years ago, as well? Right? Three and a half years ago you could not have offered me anything for me to get involved with this. And that's the truth. That's my truth. Three and a half years ago I was executive director of MACLA, our service organization downtown. And the trials and tribulations of the Mexican heritage corporation at the plaza, and the plaza, and all of the challenges, really made everybody's life difficult. In the Latino arts community and in the arts community in general. And so I believe I came to a number of meetings with some perspective. So having said that, for me to be sitting here today it means quite a bit that this vision has been so compelling in terms of the work that the steering committee has done over the past 21 months,

22 months, in establishing this dream, to establish a school of arts and culture, it's very compelling for me personally as well as for the community. So I just wanted to say that. Because I know some of you may not know what my work has been in this town in terms of Latino arts and culture. So moving forward, my boss loaned me on to the process about eight months ago, wasn't it, or so, and so I had the great pleasure of working with Elisa, who is also a MOLI grad from the second year, to work in moving forward with the steering committee and their subcommittees, the prototyping committee, fund development committee, financial modeling committee. So we've had a series of activities and meetings and retreats and what have you. So it's been a great experience to work forward -- working to move all of that forward. Having said that, also I guess on the prototyping, because I think that gets to the core of what we are trying to do here, and we have worked with a group of volunteers, all experts in their field and in particular, some experts in arts education which has been extremely helpful in this process. And one of the first things we did was establish a set of guiding principles. There's -- you can read them for yourself but what's probably the most important to know and understand that we are rooting all of this in Mexican culture and identity. And now I'll draw an example. For example, when I was at MACLA, this is a -- well, Movimiento de Arte Y Cultura Latino Americano. However, MACLA was and probably still is the most consistent presenter of Asian American art. So that's important to know that while this is the Mexican heritage plaza it still is and should be a place for all and so seeing that in the guiding principle should signal to you that it is rooted, however it will be conclusive. At least that's our committee and our subcommittees idea, moving forward. We had, on behalf of the steering committee, we had a request for proposals that went out, the deadline was March 31st, and we had 24 proposals come in. Some were on behalf of organizations, some were on behalf of individual artists instructors. So we were very pleased with the results, and we've been undergoing a process of interviews. Obviously not everything is figured out and we're kinds of -- we're working with May 24th. So all of this work is being done on behalf of the steering committee. And we have a series of interviews that are happening this week in terms of the individuals with organizations we have some meetings that are going on to kind of figure out what does this look like. The end product being a summer day camp so that this summer, starting in July, we will start having summer day camps of two weeks. They'll be two week long periods, camps. Like I said not everything is figured out. These summer day camps may be all morning, they may be throughout the whole day from 9:00 to 5:00. We're trying to figure out how can we do the best within a small period of time this summer that can give us some information that will then inform us in the future, in the fall. Parallel to that we would also like to

run some focus groups with the steering committee's support, and we'll work immediately with the immediate neighborhoods and partners such as some with Mayfair, that was the ideal, and then also with Ace Charter School. I can say that because I chair the board of Ace Charter School, so we're in it. There are -- Connie cautioned me to not go down the path of way too much detail because there is so much detail. But again, it's a lot of detail, it's a lot of work. And I am so impressed by the work of the volunteers. Some who have come on to the subcommittees and have jobs, they're taking time off from their jobs in the middle of the afternoon to do this work. Or in the evenings or on weekends. And so I know that it's not just the three of us or the few of us in this room that are compelled by decision. I know it's people across the board in the community are compelled. So I'm not sure if you have any questions about that or about the summer day camp.

>> I have two closing comments that I want to make as well so do you want to open up to questions first? Okay, closing. In the area of commitment what I failed to say is that we are prepared to help raise the resources, to make this work. So that's embedded in our agreement. So it doesn't come with just receiving, it comes with a lot of work and giving, as well. And I want you, as four councilmembers, to know that in -- I've literally had dozens of conversations in the funding community about this, and the vision is absolutely resonating with the funding community. So there will be funders there actually on the 24th of May waiting to hear, because essentially that's what the funders need to know, is who's in charge and where does the city stand and where does the community stand. Otherwise it's a pretty high risk venture, see? So there's one thing and the last thing I didn't touch on is the exit strategy. It's there in the business plan. We are giving it up to three years with the hope that within that three years that we help recruit and/or nurture a Latino leadership team that stays behind after 1stAct exits, and/or an organization that can actually walk into this and essentially acquire this school. So there are two models. Grow your own or an acquisition. That's built into our thinking from day one. And the other thing, I don't want to get people thinking that it's some high fa-lootin' people out from out of the state or out of the country. We know who they are, because it's going to be somebody in our community, that that's -- we are dedicating to making that happen.

>> Councilmember Herrera: Thank you, Connie.

>> One last comment on the multicultural arts leadership initiative which is a program that I run. It's now in its fourth year. So we have some level of expertise around developing leadership, and we know that the community has requested that Latino leadership specifically be developed. And so I know a thing or two about that. [Laughter]

>> Councilmember Herrera: Thank you. Thank you, Connie, thank you Tamera for the presentation. And I remember, I wasn't on the council three years ago, but I remember way back many years ago when there was a dream to have this facility. So I think it's fantastic now that we have as you're saying a \$30 million, you know, we've equity in that and looking at in plan. I did read it all the way through, and it's a very impressive plan. I've read a lot of business plans. I've had my own business, I've written business plans. This plan is very compelling, and the communication piece that accompanies it is also very compelling. Before I turn it over to my colleagues for comments or questions, I just wanted to say that I think the vision is really greatly and the guiding principles and I think it addresses keeping the community involved but moving forward in a very smart way to make sure it's sustainable and that it goes on. And I like the idea that you've opened the door to having either a nonprofit come in and take it over or growing that leadership, you know, right there, home grown, organically. And you've provided those pathways. And you've been very direct and very honest about how outside funding will come to happen. You've got to have something that the -- it's not going to be a long term kind of thing, they don't want to be dependent, they don't want the organization to be dependent on it, but it has its appropriate place in the mix. And that focusing on children, focusing on the school is something that really appeals to the outside funding aspects. So I thought that was great. The other thing I really liked is the Los Arcos fundraising letter you have, and the fact that you're sort of saying -- they are putting out this letter to ask someone who wants to support this to write a check, you know, to contribute, starting with \$25 they went up into several hundred dollars and add your name to the list on the letters so people can see that there's grass roots community support for this. So I like asking people to put your money where your mouth is basically. You love this list, really get out and support it so, and it also really gets people involved, the local community. The other thing I really like is the classes, there's going to be full board, full-fare classes but also the events and other things will help subsidize local kids right in the community who maybe can't afford that. So there will be subsidization of young kids in the neighborhood, so that they'll be able to go to their classes. So you've got that plan too. I think it's just a well thought out plan and

the values of echoed throughout it. And then the last thing on your communications piece, I thought you made a very good point about the fact that Mexican heritage plaza is not leading on a Website. So if you start looking for Mexican heritage plaza, it's difficult to find it. And so just by creating that Website and making sure people know what we have to offer in terms of being able to rent the facility, in terms of being able to go to classes, in terms of what your vision is, I think that's going to go a long way to help the facility, so very impressive. And I look forward -- you know, we need to stay focused absolutely on the council adopting this operating agreement with 1stAct on May 24th, and I look forward to summer art classes for children. I've been out to a few events at the plaza, I think it has tremendous potential and I'm very grateful that your organization, all of you are involved in it. Comments or questions from my colleagues? Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, chair Herrera. Connie, 1stAct, from my understanding, I think I've seen a lot of the good things you've done in the downtown start activating areas that weren't activated, beautifying, et cetera. In you just five-hour discussion with your board, was part of the conversation on do you have -- does 1stAct have the bandwidth to take something of this on, versus taking away from your primary charge, which is the downtown?

>> Well, of course we had -- that was part of our conversation. And the bottom line is, is by integrating the multicultural leadership program, aligned with what we're already doing and connecting it to the children's creativity network it becomes part of what we're doing. Now as far as my time I'm estimating it in the 15% range during this incubation phase on average. So we've got a big agenda and we've got a big network of resources. So when all was said and done the board felt that we would leverage that network and remember, part of the track is to keep it manageable. So I think they felt comfortable in the end that it wouldn't take away from any of the other things that we're doing and in fact would elevate some of what we're doing in the multicultural leadership area, as well as the launch of the children's creativity network which people don't really know about. A lot of work has been going on behind the scenes for two years. So that became the driver for saying yes, one of the drivers.

>> Councilmember Oliverio: And maybe it's Tamera as well on the programming you're thinking about this summer, what would you say would really be the differences or overlap that already exists within the existing City of San José community center facilities that offer programming for youth during the summer?

>> We've taken a look at what the environment also offers in terms of the community centers and all that. One of the things that I know I guess by my own practice, for example, there is a group there at the Plaza, that are offering peewee dance classes that my daughter and I go to. So I know there are parents that come from Palo Alto and Sunnyvale specifically for Mexican culture-based programming. That's not to say that doesn't exist in different centers. It doesn't all exist in one place and it doesn't necessarily all you exist with a sort of plan that once you finish this, then you do this. So through some of our partnerships we're looking with, for example, with the Los Penos, how do we support what they're doing, in support to the vision, the overall vision of the school of arts and culture. So we are very cognizant of that. We know that there are many groups out there offering guitar and piano, but they're also offering crochet and soccer. They're not just offering arts and culture. That's what we're aiming to do. I don't know if that answers your questions.

>> Councilmember Oliverio: That helps. And then would you -- we've had a lot of successful dual emersion public schools in San José that offer Spanish and English. Would you see that as a target, art, that wherever those parents are located, that yes, you've already signed up with the initiative to have your children learn another language at an early age. We also offer cultural activities, et cetera, is that a -- would you see that as a primary target?

>> I definitely see us partnering, for example, like with River Glen, to say we are offering these types of programs here. But I don't know that we've talked about it in the committees just yet. So that's a really good idea, we should definitely add that to the conversation.

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

>> The partnership with Alum Rock School, I think is -- isn't it with Alum Rock Elementary? So we're already -- remember they're in the facility which you know, that brilliant strategy to leverage their tenant improvements with this in mind. We're engaged in conversation with when they leave how do we keep their children connected to Mexican heritage plaza.

>> And if I could add just one more thing, we know -- we feel quite a bit of pressure because summer is on top of us. There are highly neurotic parents like myself who already knows what my two-year-old is going to do this summer. There is this particular population that needs to know. We are trying to be mindful of the high quality and understanding this is a summer pilot program and also understanding that there's been -- that this facility is a very emotional place for the community. How we step forward this summer is going to be really important. We need to step forward with small, quality offering to build confidence in our local community and go from there.

>> Councilmember Oliverio: The reason I asked that question and offer that suggestion is I think part of the goal is the make the center a destination, that if it relies just on the ten square block area, it probably is not going to bring in the revenue necessary to -- you know to continue. So that's why I asked. I'm just trying to look for a way to bring in people. Your comments, about bringing in people from Palo Alto or Sunnyvale for certain classes, that's key.

>> It's definitely worth a conversation in our committee.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks. I wanted to first thank Connie because I know you didn't ask for this. You were handed this hot potato wrapped in foil. (inaudible).

>> Councilmember Liccardo: Yes. And certainly, I think you've done extraordinary job leading what has been a really transformation in the conversation around the plaza. Because I know we all heard the critics, around, you know, the third marriage is the triumph of hope over experience, and there have been several of those attempts at the plaza. And this I think is very different. I think this is -- I think you've got the right team leading this, you've got the right objective and a really compelling mission. I think we're really well positioned here to do something great and I'm really looking forward to it. And I also think that with all that money you're going to be shaking loose with these philanthropic organizations who are going to jump on board the 10% mission, we're going to be riding a wave of philanthropic support, I'm sure. But no, actually, I really do believe that there's really going to be something big here. I do want to ask, you know, we hear lots of speculation about what the next steps might be, who might be involved, who's not, and there's a lot of enthusiasm I know around Mooring taking over, over in Mountain View, and some thoughts around collaboration. Has that been explored much or right now are we focusing on sort of walking before we return?

>> As you probably know, Moy was on the steering committee before she got the position.

>> Councilmember Liccardo: I probably, should have known that I'm sorry.

>> So Moy is one of us. The community school's music, we were engaged, Jeffrey walker the former head of the staff school in our -- really in this journey because he helped inform and bring some of his knowledge to this conversation as well. So in the end they've submitted, they're one of the organizations that submitted for summer and we're literally meeting with them next week to look to expand. Because they have a lot of what we need sort of administratively. Because they run a school. So we're hoping that we can forge that partnership, so they are one of many of our key partners, but I'd say that they are an important partner, especially in the early stage.

>> Councilmember Liccardo: Okay, great. Well, I just really look forward to participating in the next steps, and I hope we can support in any way we can.

>> Councilmember Herrera: Did you have some?

>> Councilmember Kalra: Thanks, I just want to follow up, everybody acknowledge a number of people involved I know, but it took a lot of courage to take the vision that was put together, and to take it to the board and then clearly, compel for the entire board getting on board. And so I think just as in the case, as in previous presentations every time you come forward, it's okay, the real work begins and the next step is more than the one before. That's why we are once again. I definitely have faith in Elisa and Tamera, if this goes the way that we hope, in leaving the organization, and I think in an effective manner. And I had a couple of questions regarding the greatest challenge has already been discussed more than most which is the funding part of it and the challenges. Because I know that in reading there is a report that there's surely a significant desire, as reflected by your own board when you first sent it to them, to making sure that it reflects the desires of the community, and the desires of the neighborhood, as far as creating a regional draw, and affecting the challenges in reaching out to the community. I think that coupled with what Councilmember Oliverio said, the reality is that to make it a sustainable program here you're going to need more than just the folks on the community in addition to other funders as well. So I notice there were some trips, a number of trips to other similar-type organizations and given this economic climate, even with the excitement right now, the reality is that it's still going to be very challenging getting some sustainable funding. So how are you going to approach, maintain the core mission, and ensuring that both in terms of the cultural as well as the community based aspects of the mission, whether ensuring that you can -- you can get enough of an interest to get some either major funders or to create some kind of pay scale for the classes or something that doesn't shut out the community, that allows the community, especially the community in this surrounding area, to take part of the programs offered there?

>> So a lot of questions within that.

>> Councilmember Kalra: I know, I'm sorry.

>> The first thing, I've said this out loud many times, and the steering committee and everyone has embraced this, that one of the premises is if we are going to go with the Los Arcos, highly focused and targeted at the Latino community. And the issue there has actually more to do with values and willingness to invest. Because if the

Latino community's not willing to invest, why should anybody else? That's the basic premise, okay? And we've been very clear that that's really important. So Al Castellano, we've focused on finding what we call micro-donors, and larger donors within the Latino community. I'm talking five, ten, 15, 20. We have major funders that are already interested. Why? It's because of the vision. And the idea of being able to leverage a city owned facility to do the kinds of work that we're planning to do, it resonates. So I mean we literally have written proposals is that they're waiting to hear what happens. It's contingent on what happens the 24th. We have focused on the usually suspects, the Hewlett Packards, so on, so forth, and institutional, and then for the corporate strategy, that's something that Michelle is going to help us with, building a cadre of corporate support. There are corporations whose motivation is more Latino markets, that we want to leverage that. Then there are those that have at their heart wanting to do something great for children. We'll use whatever angle we need, and we're betting that -- got a few last year to my side. You were saying so we have a whole plan. And it's not as if we're starting at scratch because some of these conversations are already in motion. So do you think my board would sign up for sword of a matching capacity to the City's fund, if they didn't feel confident that we could do this? Now granted there's a lot of work ahead of us but we're going to try. And I'm really hopeful, I really am.

>> Councilmember Kalra: I am, too. And I like the approach you're taking particularly getting buy-in from community, Latino leaders in the first half, and obviously if we can branch out in the product area not just corporate but those who are arts enthusiasts, and particularly I'll mention the Asian American community as I think all of you know, there's such a lack of facilities, there's a lot of wealth in those communities, they want to do the same, everybody else wants to maintain their heritage and they have a lot of interesting arts groups and so forth. So I'm hopeful that they will truly as well see it as the entire community's center and although the mission should certainly reflect the importance of maintaining Latino culture and getting by in the Latino community that there's a great opportunity to make this entire community center in a profound way that will also bring people in that will contribute their money as well and put their back behind it in other significant ways.

>> Just to underscore, every dollar we don't spend is one dollar we don't have to raise. So cost containment is a huge part of the strategy. You see what I'm saying? You've got to keep your cost structure under control. That's the companion piece of doing a great job of fundraising.

>> Councilmember Kalra: Thank you.

>> Councilmember Herrera: Thank you again. I also like the fact that there's a great presentation too here on the facility and at least we're in good shape with the facility. I think that's another thing we can be grateful for that, it's been well built and well maintained. It continues to be well maintained. It will come to city council. We obviously have tough budget decisions this year but I think it is really gratifying to see such a well thought out and well put together business plan. You know, companies get funded in Silicon Valley based on team, you know, regular profit make companies based on team and business plans, and by any measure you guys stack up to really, you've done a great job and I would believe this, I'm ready to write a check. Seriously, I'm going to actually. And I encourage everybody to do that, to support this because I think it looks like it's going to be great. So before we get a motion on this, we have someone from the public to speak, David Wall.

>> David Wall: Good afternoon, Your Honors. This is an example of other people's money to begin with. Second point, if it was a great idea and supported 50 community, it wouldn't have failed already. As a matter of fact, the way the Mexican heritage plaza has failed is likened to how the RMS Titanic broke up. The first part is already history, it broke up and went to the bottom of the ocean really quick. The second business plan was likened to how the stern became almost perpendicular to the sea. With councilmembers and taxpayers holding on with hope to the rails. As the thing went underwater. I would like to see as part of this business plan, the complete financial disclosures of 1stAct Silicon Valley and their balance sheet. I think that is imperative because what I've seen is, this is possibly the last swan song for 1stAct of Silicon Valley. Lastly, why isn't San José written all over in the business plan vs. Silicon Valley? Silicon Valley is getting a Mulligan on this and the taxpayers of San José are the ones that are footing the bill and should get exclusive rights to this whole project. Thank you.

>> Councilmember Herrera: Thank you. Councilmember Liccardo.

>> Councilmember Liccardo: Can we contribute now to Los Arcos?

>> Councilmember Herrera: Yes we can, there's a letter right there.

>> Councilmember Liccardo: Thank you.

>> We are getting contributions already. Based on Al's e-mail.

>> Councilmember Liccardo: Wonderful.

>> Councilmember Herrera: And when you contribute you can add your name to the list and send it on to other people you know.

>> It's a chain letter.

>> Councilmember Herrera: It is a chain letter, it's a positive chain letter. Do I hear a motion?

>> Councilmember Liccardo: Motion to approve.

>> Second.

>> Councilmember Herrera: All those in favor? Motion passes. Next item, we have a report on key legislative items, Betsy Shotwell is here to present. Thank you, Betsy.

>> Betsy Shotwell: Thank you, madam chair, members of the committee, Betsy Shotwell, Director of Intergovernmental Relations. You have before you a summary of some of the housing and community development related legislative proposals in Sacramento pending next month as the memo says will be deadlines for bills to get out of committee and move on or they may not move on, depending on circumstances. The I know the housing department is looking at a number of these and I have informed them as well to the Planning Department. So some of these will I'm sure be going to the rules committee with recommendations and then to

the full council for positions as this is playing out. At the same time, of course, as I've been mentioning, it's to the other committees that I've been attending, the state budget continues to just being the overarching issue of the day, and the week and the month, in Sacramento. The May revise from the Governor's Office will be out mid May. There's discussion and I wouldn't be surprised if it's an all-cuts budget meaning the remaining \$26 billion from the \$11 billion they did cut a few weeks ago will be in play. Unless the governor can get two Republicans in each house to support extending the free tax measures. There was discussion I was hearing before they went into recess, they went into spring recess and they're back today, was perhaps enough Republican votes and this was from Republican leadership in the senate, supporting the extension but only into perhaps September and November and then have a ballot measure where the taxpayers, the voters ratify or not, the extensions for again how many years, weeks, I don't know. This is multiple tracks and then, of course, I -- doesn't need to be said but it should be said of course just so the public can continue to be kept informed that of course the redevelopment piece is another critical issue. So it's not just one issue or one topic this year, it's all -- it's all involving each other in different ways and tradeoffs, negotiations and how this plays out I can't tell you. I can't predict. But that is what's on the table. And how much attention will be given to legislative activity I mean so far this year has been greater reduced, a lot of bills introduced but not the same focus as in years past because of the state budget deficit.

>> Councilmember Herrera: So you didn't bring your crystal ball to tell us exactly what's going to happen?

>> Betsy Shotwell: I carry about five. That's truly the issue, there's so many dynamics in play.

>> Councilmember Herrera: Looked like a lot of these bills there were several around RDA and housing seemed to be the big thing spread through all of them.

>> Betsy Shotwell: That's right, I did communicate with the housing director, Leslye Corsiglia has been involved and which ones will take to the Rules Committee and which to the full council for positions.

>> Councilmember Herrera: Do we have any questions? Councilmember Liccardo.

>> Councilmember Liccardo: Thank you Betsy. Revises, do we expect any changes? I guess the analysis is about \$15 billion. Do you expect that number will go up or down before then?

>> Betsy Shotwell: Good question. You know, in March, I read that they actually received a billion plus in revenues greater than they had projected. And then with April 15, we'll know in a few weeks, with April 15, we'll know in additional weeks if there's enhanced revenue. There's some discussion about that, and that being a point that might lower it a tad, but I don't know for sure until we see the revenues for April. We'll have a much better picture come May, in the May revise.

>> Councilmember Liccardo: Wonder what happens if we get all those members of the legislature to buy a lottery ticket and then you get enough -- well, I won't speculate. Anyway, thank you.

>> Councilmember Herrera: Any other questions? We have a comment card from the public, David Wall, on this item.

>> David Wall: The office for legislative -- well, Betsy's group, has done a very nice and excellent job on this. What is very important to see what I call squatters rights or vagrants rights with reference to commercial buildings and rental property. This must be addressed. All these housing initiatives are going to cost cities through the nose. Specifically, it's very interesting to see AB 579, mobile home parks, liabilities for attorney's fees. This may have implications for rent control and pass-through for storm drains funding and sewer service and use. AB 910, infrastructure financing districts. This is very interesting too, because everybody's trying to put affordable housing, low income housing, this is a loser for cities. Can you not keep attracting people that can't afford to live in the Bay Area. There's no entitlement here. And then of course AB 1234 is very interesting, with reference to restricting Redevelopment Agencies from being able to entice sports teams. So all in all, there's a lot of good information here presented by Betsy's group and I think she should be thanked by you folks and I'll thank you. Thank you.

>> Councilmember Herrera: Okay, do we have a motion to approve?

>> Councilmember Liccardo: Motion to approve.

>> Second.

>> Councilmember Herrera: All those in favor, motion passes.

>> Betsy Shotwell: Thank you.

>> Councilmember Herrera: Next we have a development services update from Joe Horwedel and Lee Butler.

>> Joe Horwedel: Good afternoon. We have our regular update on development service activity. And spend most of our time talking about the work that Lee's been doing with our project manager program. But also wanted to mention that there were a couple of things we noted in the memo that we are working on, one that is looking at our planning process, and trying to take the things that we've learned with our special tenant improvement program and industrial tool programs and apply that to the planning process, and seeing what we can do more down in our permit center, rather than kind of bringing up into the normal process. And as the committee's well aware as we did that in our building process about four years ago, we were able to go through and move a number of projects through quickly by bringing the right people to the table. Though it took a lot of work both on our staff side as well as on our client side, of kind of teaching both parties how to go and operate in a totally new way. And so we're looking at how to do that with our planning customers, we're going to start small just like we did with our building program, and with some manageable scaled projects, and Lee's been working on doing some triage at looking at projects coming through the door of ones that we think would be most advantageous to bring in through that process. And then to start growing it. So we're doing a pilot that is starting this month and we're going to work for the next couple of months during this fiscal year taking one of the positions we have in planning and kind of putting somebody working part-time on that. As a means to really do a proof of concept. It's one just like we discovered with the building program. It was not cost-recovery or cost-effective in the early years, though now four years later it's one where about 70% of our building in the building counter now comes through some

sort of coordinated expedited review. So as you think of the postal service before the days of Fed Ex, that everything went one way. And now we're running about 70% of our building permits through some sort of express FedEx type model. And it is our goal to go in and start looking at that with the planning people. We've met with our development customers and walked through that concept with them. They're still kind of getting their heads wrapped around it, how that would really work or if it's beneficial to them. As I said we're looking at the types of projects where that would make sense. We're not going to start with the high rise, it's going to be starting with more the smaller things that are coming through. And that's why Lee's a good one and point to this on what are the projects that help us on our economic development strategy side where normally they would trip the need for a planning permit and we don't see it as something where we would just deregulate it altogether but there would be some still discretionary review in how best to accommodate that, so we still meet the needs of the community. That's involvement in the planning process, but also to help do that in a very regimented schedule to move it through. So that's one that we're really excited about, we're trying to figure out the economics of how to make that work, that is one that you know we do think we can generate revenue out of it so it's a matter of how far we can go with the revenues we can do with that. So we also have been working on coordinating some of our service delivery between the different development partners, as Public Works, planning, fire and building, and looking at what we call the gaps and overlaps and really want to applaud the work, our leadership in our Public Works staff and working with the other development partners have gone and looked at some of the issues we have with storm water where we have multiple departments and divisions of the city working on this to take ownership and leadership of that and work through some of the challenging pieces making sure we do the things per our state permits but to go through and make sure we don't send three people out to deal with that. We are looking very much internally about how we deliver our services as we recognized kind of having one person most knowledgeable helps reduce the confusion with our customers. And then the last thing I'll note is that we have taken the -- a concept that we've talked about in here and something we had talked internally about staff about a customer bill of rights. We are working that through the City's APL program, it's a leadership program that middle managers in the city participate in. And so we've already internally work out of our building division put together a draft. We've worked through and taken comment, I know Councilmember Liccardo you have a lot of thought around that and have shared that with Laurel and I, have shared that back with the group and have put together a working draft that we've now talked with the development community about, with kind of an interesting

conversation, some of them were like why are you doing this? And others were, you know, thank you, it goes through and helps clarify the roles of both the city and responsibilities of both the city and our applicant. So it is the one that we're moving forward with and so the benefits of the APL team kind of looking at it on a city wide basis, we are also looking at what are the things that we do in development services that are beneficial to the rest of the organization? How do you work with customers? What are the roles of staff? So we think that that's you know something we can help offer besides helping our customers. And with that I'll throw it to Lee to talk a little bit about some of the things he's been busy with.

>> Thank you, good afternoon, committee members. We were last before you in January, to update you on the progress of the development services project manager and expedited role. And appreciate the opportunity to come before you again. As you're aware the project manager focuses on a few key areas of economic development proposals, those that are providing significant numbers of jobs to the city, those that are providing significant revenues to the city and those that are furthering the City's Green Vision. And the primary responsibility in the role of the development services project manager is to streamline the projects as they're moving through the development partners, planning, building Public Works and fire prevention, to make sure that they are going through those processes quickly efficiently effectively without sacrificing any quality. So there are a number of specific updates on projects that have moved forward and accomplished key milestones, since the last time that we reported out. A number of those are in the staff reports, Garden City is currently under construction at this point. The relocation of the card room to old bay shore. And airport parkway. The Marriott at first project right by first and 237, actually last week, the Planning Commission approved that project. And we anticipate grading permits to be submitted in the next coming days and building permits in the coming weeks at the 157-room hotel there. Maxim who will become one of the City's largest employers, one of the top 10 employers when they move their headquarters to 160 Rio Robles in North San José, they have their initial building permits approved and are continually working with us to move forward on additional permits and then we're also working with some of the auto dealerships here in San José, so Tesla motors recently opened their doors at Santana Row, just a couple of weekends ago. And we're happy to have them as a part of the business climate here. We have also been spending a significant amount of time thinking through the concept that Joe was mentioning, for the expedited planning review. And as of today, we do have a staff member who will be dedicating a significant amount of time

in that effort. Again, starting on small projects and piloting that. So that would -- that would not only help the small projects, as they're looking to move through the entitlement process in planning, but it will also hopefully provide a little bit of capacity for the project managers who are working on larger economic development proposals. With that, happy to answer any questions that you have.

>> Councilmember Herrera: Thanks. Do we have questions? Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, chair Herrera. I appreciate the reminding us that the criteria you're choosing is jobs, revenue and Green Vision. And I appreciate the ones that you selected here as far as they are obvious in their value. On the 30 other projects you're tracking, just question, are any of those not like for example are any of those housing or they're all business?

>> At this point, there are no housing projects that I am actively involved with other than general inquiries that take a very limited amount of time.

>> Councilmember Oliverio: Got it staying with the jobs revenue and green. You mentioned auto dealerships and just thinking in just outside my district that the San José side of Stevens Creek, doesn't have the same zoning that the Santa Clara does for the storage of vehicles. Would that be are something that would fall under you or would that be falling under the general Planning Department updating codes that need to get updated based on the business circumstance?

>> So that can be incorporated into general updates. However at the same time as we're working on process improvements such as piloting the expedited projects manager position for planning applications, as time permits, I'm also working on process improvements and hope to carve some time out of the staff member that is working on the specific small projects pilot to work on some of those, as well. We did recently have the one individual who is working on zoning ordinance updates retire. And so that position is of obvious importance as we move forward in the future.

>> Joe Horwedel: We are still moving forward with the quarterly updates to the zoning code. And the issue about, I think it related to rental car storage, Stevens Creek boulevard is one of the ones that we have moved into the quarterly update. So it will either be in the first or second quarterly update, we'll be bringing that one forward.

>> Councilmember Oliverio: And what dates would be the first and second quarterly?

>> Joe Horwedel: First I've got to get somebody back in that position.

>> Councilmember Oliverio: You're talking about fiscal not calendar year?

>> Joe Horwedel: Yeah, whether I can get one of those before the council before the break that, I don't know. We've got a group of issues that we're going to put into that next quarterly update, and so I just -- since that position is vacant I don't have a schedule at the moment.

>> Councilmember Oliverio: Appreciate it, thank you.

>> Councilmember Herrera: Questions, Councilmember Liccardo.

>> Councilmember Liccardo: Thank you. First I wanted to say thank you or the creation of the administrative hub. I think that's great in terms of enabling us to scale up quickly at a time when we're finally seeing more activity at the window. I know it's great for the customers and a great relief to see us hiring people again so thank you for that. And I think it's really -- it's great to see us being as nimble as we are given the incredibly turbulent economy that we're in that we're able to try adjust as quickly as possible the business community and what's going on there. I had a quick question about, with all the challenges that redevelopment has had now, and you know we had an incredible group of redevelopment staff in a number of neighborhood business districts and SNI areas where we were trying to do -- we were trying to do a major planning effort or whatever, you had redevelopment staff and money there to help, and obviously we recognize the future's going to look quite different. In a situation where we're trying to engage a lot of adjacent parcel owners to perhaps collaborate in a significant way with a

master developer, to try to fill in the missing teeth or to really try to create something greater than the sum of the parts in a typical neighborhood business district, is there any means for them to be able to engage in the Planning Department in a unique way, where given all the different ownerships of parcels, it would take a lot of work on your part to be dealing with them individually but having one master developer, maybe, where some expedited process could be allowed for, recognizing there might be some greater economic opportunity there?

>> Joe Horwedel: Trying to kind of parse down the question.

>> Councilmember Liccardo: I'm sorry, that was a lot of stuff at once.

>> Joe Horwedel: Well I think of where you were going, that certainly it's beneficial from the city standpoint, where we have a master developer that's able to come in and do kind of the assembly and working through with individual property owners so we're not having to do as staff a project by project, quarter acre at a time. There are not any resources that the city has around any of that type of work. It's -- we're pretty much driven by whatever is coming in the door. You know, a little bit of what Lee works on is forward-looking and helping with the economic development staff on that, helping position, you know, or arm developers that may be interested in doing something like that to help them understand the lay of the land and kind of what some opportunities are, but to go through and really do any amount of staff work, there really isn't the bandwidth around that. And I think even if somebody had walked in and said, you know, this is 10 grand Joe that I want to pay for staff time to go work on that, I think that's even the bandwidth to go through and be able to do something like that on a short-term kind of quick response sort of thing I think is going to be challenging for a while, as we kind of figure out our -- the right size of the organization and just focusing on getting the people that are on file out the door, rather than taking on kind of some other side projects like that. Kim.

>> Kim Walesh: I think we're really in the very early stages of thinking about neighborhood business development, sort of what happens to that, what aspirations do we have, how can we use whatever capacity we have. As we think about SNI changing, and redevelopment changing, we need to be thinking about the link

between that previous neighborhood business development work and economic development and planning. But to be honest, we haven't really sat down and really talked about that yet. I think we need to.

>> Councilmember Liccardo: I recognize there are balls that need to be kept right now and we're all challenged in the organization, and just appreciate your thinking about it and sure we'll be talking again. Thanks.

>> Councilmember Herrera: Councilmember Kalra.

>> Councilmember Kalra: I don't have much to add, just say thank you, looks like the program is working well and it will be interesting going forward with a challenge of resources but with the growth as well. And so I think it looks like a program that actually can help us bring in more revenues and also to be hopefully helpful for the team.

>> Councilmember Herrera: Thank you Joe for the report. I think it's really important. I think your department is one of the highlights in the city among a lot of great departments but the work that you do, it's just so important. And even though we don't have as many projects as we'd like coming forward you just do an incredible job and it helps get companies like Maxim to be in San José and to grow in San José. I just had a question about the performance measures that are referenced in the report. It would be helpful if those could be in the report. I know you have to go back to the larger document to find them so if that would be possible to have those in the report.

>> Joe Horwedel: One of the things I think we have talked about previously, and one of the goals of the administrative hub is to actually build a budget document for development services rather than being scattered between three-plus departments. And with this coming year's budget document you will at least now see consistency between all development service partners about how we present our budget, our performance targets. We were just looking in the last week, of going back through all our performance measures, and making sure that the targets kind of we thought were doable and making sure we're pushing ourselves on those. And then we will be bringing to the committee probably the meeting after next, I think we will be ready for the annual survey

of our customers. We literally got in last week just the top-line numbers from that. So we are still working through with the consultant to get that done. And so when we bring that I think will be a good check-in with the committee about kind of what are all those indicators and measures we're using.

>> Councilmember Herrera: That would be great. That's very impressive that we're getting that customer feedback. That should be a key indicator of how we are driving the business forward supporting those customers so thank you. Any other questions? If not do I hear a motion for approval?

>> Motion.

>> Councilmember Herrera: Is there any public comment? Okay. All those -- we have a motion on the floor. All those in favor? Opposed, motion carries, and that brings us to our last item, industrial and office retention and attraction updates. Nancy Kline.

>> Good afternoon, Nancy Kline, Office of Economic Development here with Richard Keith from the Redevelopment Agency. We are here today to discuss office and industrial efforts business outreach and this is incredibly important, we continue to have a very, very high degree of commitment. I think you see some of that work very much reflected in the previously -- the director's report that started out the agenda and then carried through to the work that planning, Public Works, D.O.T, Redevelopment Agency and OED are all doing together, to get companies in, keep them here and moving through the system. I wanted to highlight for you with the next slide, that business outreach remains mission critical and that we are continuing to look at, and keep, working on the vision of San José's business proposition, and our value-add. Where do we add value? And there's a tremendous amount of value that comes out of a location in San José. One, because of our location, and we have excellent location and development services, you're familiar with those, staff working together with the agency as we have done, even more so now. Given tough resources are committed to working together, to do an incredibly good job. We're also looking at ways to make our value proposition even better, targeted, focused to particularly growing companies, the gazelle type, who can be not only leaders in industry but folks who will grow jobs here. Some of those examples you saw, I was touching on was FMTC and La Vonte in Edenvale, noted last week

at council. Staff has already had positive work, conversations going on that clearly show that city and city staff have the ability to connect growing business to finance that maybe those folks don't necessarily have on their own. Media and recognition, that's very important to them to have their name out. Opportunity for workforce services that we have, as already mentioned clean tech demonstration and legislation, again, mentioning not only FMTC with a \$25 million award, but Rightspeed's initial grant came very much with the connection Scott Green, others of staff at the agency have had, and the letters that were well placed to legislative folks both here and as well as on the federal level. So there's a lot that we're doing that can even further hone our value proposition for companies coming here but certainly those being retained here. Right now, the -- just a quick update on markets. I think we all know that markets are increasing steadily. Happy to report, just as a quick summary, that we added about 15,000 jobs in 2010. And that the unemployment rate was lowered from 11.6 to 10.6, so things are increasing. They're getting better. And the overall fundamentals are that the increase will go in a moderate path, it won't be a hockey stick recovery.

>> Thanks, Nancy, I'd like to take this into a little more depth for our industrial areas. As you can see, North San José from the first quarter 2011, both over last quarter of 2010 and year-over-year, it's pretty much held steady at 21%. Of course we'd love to see these vacancy rates drop but we have had a positive net absorption in R&D, 883,000 square feet and 1.2 million in office citywide. In South San José we have had a 2% drop to 18% from the fourth quarter of 2010, to the first quarter of 2011. And a 1% drop year-over-year. Now, we know these percentages, you always have to be careful with percentages. But we have so much stock that even small percentages are very valuable, in terms of square footage. As Nancy pointed out, our average asking lease rates have gone up to \$1.15. Now I know a many of you have heard 70 cents a square foot, out there, that's true, triple net but our average has also gone up. We are also aware that there are very attractive tenant improvements out there right now. With some of those packages some of the rates have stayed higher than when they down leases for five and ten years. But the allowances are very attractive as I said. Also, they are getting some several months of free rent. Don't always equate into the average. So we're well aware of that. Just as an aside here, we've talked about Maxim and now C-8 medicine is using SunPower, 670,000 square feet absorbed. And then I'd like to go to the next slide please. This is recent activity over the last couple of years. I know many of you have seen these companies before, but it shows I think two important items. One, a real diversification by industry sector. We have

everything from printers to clean techs and medical devices to prefab housing to accounting agencies and data centers all in this most recent period of economic development and growth. Which I think bodes well for San José. And as we move forward, and as hopefully the economy really puts the recession behind us. It also does -- shows that we're really spread out in our areas. There's a good balance between Edenvale and Rincon and of course our other blue collar industrial areas, one of which is mentioned near Monterey, but still, Old Oakland road is an important area for the city. One thing also that we want to point out in Q1 we've had quite a few lease renewals. Jabill and Nanosolar in Edenvale and Cavium and Aclara in North San José among others. So that's been a positive sign as well as keeping the vacant rates down or stable. Next, thank you.

>> Want to shift back to a little bit of discussion about downtown as well. The council's strategy in terms of how to evolve and keep moving downtown forward of course is a major effort of redevelopment and the rest of the city, Office of Economic Development, and it's working. There is notably an emphasis, a growing emphasis on San José downtown being a cool place to start up and grow your company. Companies like Penger and Pwc, large company and tech shop encourage you to join that open, we'll have a date to you in the not too distance future. And the idea now is how to work with our partners. Certainly, 1stAct, downtown association, chamber and others, looking at continuing to brand, show how we can ever-better make the daytime population use the Pbid to greatest extent how it's current being used and how can we take that even further to make it a really viable, fun and vital place. Next slide. One more highlight of that is this very exciting collaboration of Price Waterhouse Coopers. Now, it is really worth stepping back and saying that Price Waterhouse, as many of you know, was very close to leaving San José, and it was a coordination with the mayor's, and Ru particularly, as well as several council people and a lot of city staff and relationships that came with the leadership of PWC as they have been here. And it's a critical phase, it's a critical retention for the city. And one of the wonderful things that has grown out of that is our participation again in this new way of looking at value-add and knitting together, PWC has a phenomenal leadership program for young talent. And what they have done in this year is allowed us to be a central focus of that. In the big picture what they're doing is taking two to 300 of their young and best and brightest and they're focusing them on how to create great events and great excitement about the downtown. And if you haven't had a chance please do stop by after the meeting. In the rotunda there is an initialing or actually the second major event in the rotunda right now so you'll be able -- right this very minute you'll be able to see it in

action and at the end of the presentation we have a short video where we partnered with CreateTV to highlight some of the activities. There was a scavenger hunt to encourage the folks from PWC to understand and get to know the downtown. Very exciting, very collaborative, a lot of young people, a lot of fun.

>> Councilmember Herrera: The finally I-lead challenge, is that what's happening in the rotunda right this very minute?

>> Yes, it is.

>> Next slide indicates a pie chart, and it's sort of self-explanatory. But what I wanted to point out is the support services doesn't mean when the 8% business supports services is a 45% support services, if you count legal, business services, financial, and accounting. The single biggest sector of course is 21%, and this was based on information taken only for the private sector, looking at private office space. The 21% of course includes Adobe but by no means is that alone was acer and exactly and Dcarta and Facidia -- did I pronounce that correctly? What we did and I wanted to share this with you, is the agency undertook a study where we looked at office space, please take that out, it's this one sheet. It's eight different ways we cut downtown office. And here's the entire document, so I'm not distributing it. I'll be glad to send it out electronically or print copies, if councilmembers want. But we looked at ways to look at A and B office space, and fully leased office space and you can take your time and read the eight different ways we cut this. But for right now I wanted to talk specifically of the 9 million square feet downtown in office space, 50% are class A, 38% class B and about 12% class C. And of that class A office space 28% is vacant and that's the slide you're looking at right now. 24% in class B and 11% in class C. And this is in the core. Of course, 28% of class A space does include the River Park tower, we didn't double count, we know PWC is moving from one class A space to another class A space. Another couple of interesting space, businesses with 10 employees or less make up 80% of our businesses downtown and only 6% of the businesses have 50 or more employees.

>> That's pretty much true throughout the whole city.

>> Thank you. And next slide. We've hit this before, about the highlights of several of the recent conventions we have had, the MBIA, the Osaka and clean tech open, the redevelopment association conference for the very first time was in San José and I can't tell you the pride in San José's Redevelopment Agency, of having the conference here with 500 people from close to 400 agencies we had but also the mayor's incredible speech in pitching in for Carl Guardino when he couldn't make it of not only welcoming people, but really driving home the importance of redevelopment as an economic development tool. And one other highlight for all of you, the clean tech open and the San José clean Tech seminar was the fact that really we've had leads throughout by both the Office of Economic Development and the Redevelopment Agency, and two-way interest in how that really is going to help drive our economy forward. So these not only did it provide an economic incentive to downtown, but that partnership of LEED is like I said very important. I also wanted to take a moment on enterprises, again we are hoping the initial reaction from the state legislators, looked good that enterprise zones will be maintained, that's up in the air as well as redevelopment right now. But we've had a record year, a number -- fiscal year, a number of participating, 209 was a 20% increase, almost 2,000 hiring tax credits vouchers issued this year. And 12 new businesses recruited into the enterprise zone. For the first time Yolanda Lee's in the audience and where we had to supplement her work with additional staff, not just administrative staff but professional staff, in trying to get these vouchers out in a timely manner. We still even had to write a little slight backlog. Just to wrap up, our Redevelopment Agency staff, industrial and office retention staff is in the room. And it's -- but it's a credit to them how dedicated they are and remain in the face of layoff and also, we are continually working with OED, we are going to reinstate bi-weekly meetings because how important it is, we think it takes, hate to say this, a whole village to get the city economic development team together. We appreciate did staff of the councilmembers as well, because we need every one last person to work on the program. Nancy.

>> And in conclusion, the last slide is just to highlight that we're going to be coming back to you again, obviously, and keep discussing business outreach, part of that is, as Kim touched on earlier in the meeting, working on how we communicate our transition to the business community, brokers, developers, companies, getting the right message out, letting them know not only are we open for business but that we have a tremendous amount to contribute. That we are going to do this in an unprecedented way through partnerships. One with the council, we are going to take you up on the offer of our best salespeople, to get you out there more, as well as working with

NEOP, BOMA, Ru already had the mayor and us out to -- and planning out to BOMA out for a very powerful discussion, with Joe leading the charge on 2040 which is something people really wanted to hear about in the development community, with SVLG, and 1stAct as well, the idea is to leverage all the resources together, and that part of that resources is yet a next step in partnership in the building. Not only do we work a lot with planning but with finance, where a lot of that business information comes forward first, how we update their technology to be a first message to businesses as well as the fire department, who has inspectors out regularly into businesses. So we're going to look creatively and critically in how to leverage in-house resources and folks outside, as well as honing that we have great business development services, location services, but also, a tremendous value proposition. And with that, staff is available to answer any questions or hear what you are thinking.

>> Councilmember Herrera: I just want to say first, thank you Nancy and thank you Richard for the report. Thank you for a small but mighty redevelopment staff that continues to provide this as we can see all of the projects that came in we've got redevelopment works level on most of those so redevelopment's been a key partner and I think it's very importantly as we move forward to work very carefully as you said Nancy and Kim and Richard in partnering and really exploiting the full potential for the various ways we can partner. Questions from my colleagues? Comments?

>> Councilmember Kalra: Very brief. I just wanted to thank all of you for all the work you've done. Note that PWC is huge so the work that Ru and the staff have done for that not just for downtown but for the whole city and the last thing as we go through this transition period for RDA, the skeleton crew that we have left here, the work of all of you, you have done a tremendous job working with business development and as well as attraction, getting some of the best practices, working with OED, there were some things that RDA was doing that OED can focus on some other areas. So I think we can keep some of the best of RDA, even whether RDA exists or not, keep our programs, whether it be through OED or another successor agency, we know what works, because we have seen it work, time and again, at least we have the right people here to help transition us to the next stage wherever that leads us.

>> And there's a quick two minutes, createtv that focuses on the I-lead challenge. You can just move it down so they can see all the images. Well, we'll probably just bring that back to you. Can you tap on the top arrow points?

>> Councilmember Herrera: There you go.

>> Councilmember Oliverio: This shows all the fun and excitement going on, right?

>> Just walk to the rotunda.

>> There's our own --

>> Councilmember Herrera: Looks exciting.

>> We'll send you the link.

>> Coming into this that accountants are boring and uncreative people and you are going to dispel this rumor through this challenge.

>> Thank you. [∂music∂] [Video playing]

>> Councilmember Herrera: I did have another question. I wanted to know, could you talk about how the retention attraction efforts going forward reflect the recommendations adopted by council as the highest priorities for economic development at the February 8 council meeting, and one in particular I think came from a memo, there was the mayor's memo February 4th, that in point number 3, mentioned recommendation 5 of the memorandum that goes back to the may and Councilmember Liccardo, Nancy Pyle and myself. And the focus was, that number 5 point was allocate any additional staffing of funding for the development services team to work overtime on thight deadlines to support the special tenant improvement program team, that mobilizes quickly to meet deadlines of time-sensitive companies wishing to move into or expand into San José and additionally has

recommended the City Attorney assign staff who will work with the Office of Economic Development and redevelopment agency for the purposes of ensuring timely delivery of permit services. That SJI program has been incredible, I know, it resulted in a lot of things moving forward so if you could comment on that in terms of priority.

>> Joe Horwedel: It is a priority for all the development services partners in this coming budget that you'll be seeing shortly, we have added in all the temporary positions we asked for this current year and had received General Fund support to help kind of back stop in case revenues weren't there. We have confidence in the revenues that are coming in so we've actually moved all of those into our base budget it is our priority, and ergo my comment about 70% of the projects coming through some sort of coordinated review, we really want to make sure that we are delivering on those because we have customers who are making premium payments for that type of work and so we don't want to leave them in the lurch. We recently had one where we didn't deliver that project on a schedule for a smaller project, we wrote them a refund check for the difference of what they had paid us for their expedited service. We have an incentive to make sure we go in and deliver. We bring back over-strength staff as we see workload picking up, and we're attracting that right now with our inspection services to make sure we're going to have enough staff to be out in the field supporting all these projects.

>> Great and just to add to that, Joe is -- with economic development with all the development services working as teams on significant projects. So right now in the building with the Almaden Arcadia meeting right now, at this time, it's an Almaden Evergreen meeting, so all folks are together moving the project ahead so the idea is matriculating through the building in terms of an SGI approach, and Joe's staffs, John Wolfram was saying that for the past several weeks and certainly for the next few weeks coming, both SGI lines are on all the time. So you're getting at least approximately 15 to 20 projects moving through building.

>> And with regard to the city attorney's office I am the main attorney working with the Office of Economic Development and while we do have other attorneys who do work with fire with planning, with some of the other development groups I do meet periodically with the Office of Economic Development so that we know ahead of time what projects coming forward so I can try to coordinate with the attorneys in the office make certain they are

aware of a project coming forward so we can work as expeditiously as possible to try to get some of these projects moving forward. So we are working with them.

>> Councilmember Herrera: Thank you, Ed, thank you Nancy and thank you Joe. Do we --

>> Joe Horwedel: The one thing I was going to say. Earlier you had I think roundly complimented me for the work that was being presented. It really is the work of over 200 people in the city that go through and do plan check do inspections and support those staff in delivering that high level of service, though it is one that they have that goal from, you know, the multiple departments, it's a lot of hard work that happens from when OED and the agency first chase somebody in to making sure they get an occupancy on the back half of that.

>> Councilmember Herrera: Well, thank you, Joe, and the entire team behind you.

>> Joe Horwedel: The entire team.

>> Councilmember Herrera: You represent that entire team. Yes, SGI, I mean, it's one of the tolls we have, and hopefully we'll have some form of redevelopment and Enterprise zone. But I can't imagine if we don't have that, I mean, already, SGI has been one of our critical tools in making sure that we can bring companies here. It is our OPM, other people's money, truly is we're not giving people money to come to San José. What we're able to attract them with is the service we deliver and we actually charge them a premium for that service. So it is truly using their money but to give them a service that they're not able to receive elsewhere that gets them into the building. Like you say, Price Waterhouse, crazy schedule but we're able to work with their team to deliver that.

>> Councilmember Herrera: Perceived as very high value by companies out there, and excellent point that they're paying for it, we're not giving it away, wonderful. Just one last question. Since 80% of the businesses downtown are the small businesses we're talking ten or less employees any comments on how -- any thoughts on that going forward on how to support you know how to work with those businesses? I know that they struggle

because we see business as open, we see them closed, there's market trends. Just any thoughts on that because it's such a high percentage of the businesses.

>> Yes, councilmember, I have two thoughts on that. One, by doing this study and laying that out we were able to identify businesses by building because even though we have a relatively small downtown the number of businesses is quite large. So in staffing and working with Councilmember Liccardo's office we want to continue and try to, as long as we're here, do outreach, work with the Office of Economic Development and Lee and his position with OED, and really look at that. And also, better engage and I had a meeting just this morning with Scott Knies along those lines, and work with them to participate in that. And we're well aware that the memos look at nurturing small businesses, in the neighbor business districts we've been doing it for years but also in downtown and how to put a handle on this great wealth of material.

>> And just to add quickly to that, again, the new program referenced by Lee and Joe is going to be a critical opportunity to leverage what we know and what planning already has learned in terms of helping smaller businesses through. The B.O.S., the business owner space, and it has gotten even better, if you haven't recently gone on, there are plans to take that in even further scale. Providing resources that are 24-7 to small businesses and making them accessible, the downtown innovation center and market access it works really well so there are a number of resources that we have and that we'll continue to polish.

>> Councilmember Herrera: Great, thank you. Any other questions from anyone? We do have David Wall would like to speak on this item.

>> David Wall: I would like to thank the innovativeness of this whole program. But in future I would like to see on retention of businesses how much tax money is actually, or let's say what is the retention process, all the details. Not that you've gone out and patted people on the back or what have you but the actual economic details. And I would also like to say too that all throughout today's process there's been no, thanks to the attorney's office, in reference to the funding, that should be allocated directly to the attorney's office for each and every one of these projects, we're losing our high ends litigator core not good for the city and lastly on this

particular issue I will thank the director of PBCE because they do a lot of great work in the community that a lot of folks don't really understand. Or appreciate. Thank you. And thank OED but you need funding and keep it accountable.

>> Councilmember Herrera: So do we need a motion to accept? No we don't, informational. And this brings us to open forum. David Wall.

>> David Wall: We've heard for some time that San José needs to reinvent itself but it refuses to shake the Monday Kerr of the capital of Silicon Valley. San José needs to get rid of the capitol of Silicon Valley. It's dead, it's never going to come back the way it was. It should re-take an old axiom, the valley of the heart's delight. Food and agriculture that's where a ton of money is at, that we've seen, chasing these little venues like eat San José. But above all, Councilmember Liccardo's op Ed piece, how are you going to have healthy kids to study in a mentoring program if they're starving, if they're hungry? Now, you can talk about it all you want, but you've got to grow food locally, providing it in the schools, if you want to provide healthy minds, they can't be battling hunger. How long has this been talked about, food in San José, chairperson, since you've been on this committee? How long has a lot of city land gone fallow? For chasing other of Finnegan's rainbows? The \$600,000 that you gave OK today in closing, 600 city employees are going to start getting their pink slips so start looking at that too.

>> Councilmember Herrera: Thank you and with that the meeting is adjourned.