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City of San José Community and Economic Development committee meeting.

>> Councilmember Pyle: Ladies and gentlemen, we are ready to begin our March 24th session of Community and Economic Development. And we're going to begin with the roll call. We're all here. Yes. And I'm going to begin with the review of the work plan. I see there's two items that are going to be deferred. Paul.

>> Paul Krutko: Madam Chair, I guess in my binder, I'm not sure in yours, we did have a memorandum that went to Rules and was approved for some modifications to the work plan. So as you've noted, today's meeting we are suggesting that the airport obstruction study be deferred. There continues to be discussion between the agency and city staff and hopefully coming to a resolution of something that would be a policy that is good support. The fire department, administrative fine schedule is not ready at this point. But in addition, for today's agenda, Rules added a report on the status of the City Hall retail. And for the April 27th meeting, three items were added, through Rules. The small business development annual report, a report that will discuss local small business participation in city contracts. And we do want to provide a brief report to the council committee on our office's work plan, the Office of Economic Development work plan. We're obviously going through current economic conditions that might want us to press the reset button in terms of our strategy. We are intending to discuss with you how we intend to do that at next month's meeting. I don't know if Ed has anything he wants to mention. So then with those changes madam chairperson, I think we're ready to proceed.

>> Councilmember Pyle: Okay, we're ahead of the plan. We've added three and deferred two. All those in favor, approved. We're ready to move on to City Hall retail. For that we have Nancy Kline.

>> Members of the committee, Nancy Kline, and Peter Jensen, economic services. We have a brief report, outlining that we are moving forward what was requested in the RFP, you will see next month you will see that move forward. We are eagerly speaking to prospective respondents. We do want to note there was a previous request about potential to include city staff in the building. And while there are long term potential cost savings, there is a recognition that the up-front dollars to move city staff into the space are in the range of somewhere between \$1.5 million to \$2.00 million and the city does not have those dollars to move into that space. We are recommending that staff move forward with the RFP and also noting that at such time as there are successful respondents, we will come back and the council will have the opportunity to reanalyze that option before making any commitments to the site.

>> Councilmember Pyle: Did you need to add anything?

>> No.

>> Councilmember Pyle: At this point we are ready for any questions. Rose.

>> Councilmember Herrera: Thank you, Madam Chair. I just wanted to know how will this process be different than the last time?

>> The process will be very similar. We streamlined the RFP, working with the attorney's office to put the document out in as business-friendly manner as possible and we will go out to a very broad reach in terms of developers, brokers, tenants, and speak to the folks who could potentially work on the site.

>> Paul Krutko: I think one other thing, councilmember, was that we did with the direction that was given to us when we came back to council, the last time with the results, there was direction that we received from the council to do additional outreach conversation with various people who'd expressed an interest, the development community, others, to ground a lot more information to be able to include it in the proposed RFP. So it's really getting a grounding of what was more possible. Though I would say that much of that work was done prior to what's going on in the economy. So I think we are full of hope that we will get responses. But I think that we sort of need to temper that hope, I think, with a bit of understanding of current economic circumstances. We are asking a proposer, as Nancy's and Peter's memo points out, we are asking them to make a substantive investment in our building. So what they may be proposing to offer in the form of rent, and term, may be something less than what we would hope for in a much stronger economy. But I'm not trying to telegraph anything. We'll see what comes in.

>> Councilmember Herrera: Thank you.

>> Councilmember Kalra: Do you think there's an opportunity and again, I don't have as much background on the kind of infrastructure that's there, considering it's 6,000 square feet, would you think it's realistic to have smaller frontage and retail in the back or is that completely unrealistic?

>> Paul Krutko: Turn that over to Peter. It's not an incredibly long space.

>> Peter Jensen: It would be a longer rather than deep. We could keep the city windows gallery, treatment we have on that and then off space behind that. That's about as far as we could.

>> Councilmember Kalra: I understand.

>> Paul Krutko: Nancy will correct me if I'm wrong, but it's sort of a three-bay development. So theoretically, you could have two bays or one and two, whatever the split may be, where you would have it have from rear to front. I think we service the back of the -- the units from that hallway in the rear. So they have to be serviced from a rear, that's how you would access, for example, if we access the area, how we access the restrooms in terms of the layout and all that. We did go through the council in a couple other iterations and Peter got comfortable with it and I think the folks in the design world got comfortable that we might do some opening of the one side facing the plaza more, if you look at that now it's sort of a solid wall, so a door, maybe more glass there to make that corner space a little more viable. So there's some things we can do. But it's not -- we don't have a lot of flexibility.

>> Councilmember Kalra: And you know, one thing is that I mean, as far as window treatment, I think if it's a actual active office space, that's much better to have that as a frontage than the window treatment. But if there is an opportunity, you're talking about the corner, creating kind of a corner window to have a corner and a coffee shop or something, whatever it might be and the rest with office. But I think ultimately just trying to create as active a frontage as possible. But given the facts that we can save a lot of money by putting staff in there. So I think that's pretty apparent on an annual basis, \$150,000, pretty impressive savings going year to year. So thank you.

>> Councilmember Pyle: Another feature that I noticed is that the sidewalks are rather deep. So that's more room for outdoor dining if you will, or whatever it happens to be. Rose, did you have a question?

>> Councilmember Herrera: Yes, I think if we can get some private sector folks that want to come in and make that investment, I think it would be great to invigorate our retail around there, and as Nancy was talking about, get some outdoor sidewalk cafe and have more presence. And it would help more businesses and have a great opportunity for folks working here to have more retail opportunities, as well.

>> Councilmember Pyle: So we want to thank you for the report. Are there any people in the audience wishing to people on this topic? David wall, I believe you're ready. So come on up.

>> Can you hear me fine? Good. I only support utilizing that facility for city operations in this economy, anything retail is exceptionally illusory, if not a failure. You only have to go down Santa Clara to see that. To house 150 employees, it doesn't have to be put into pristine office fashion for it to be functional to house city employees. For example, City Clerks need expansion for a document control facility, and environmental services over there where you want to tear down the MLK building for your convention center. Coming with those folks if you are creative, you have a restricted use fund that you can tap into for development purposes for overhead costs. So those are things to take into consideration. Redevelopment always tries their best and their hardest but this economy is unpredictable insofar as it is collapsing. The City's best position is to consolidate and to take care of what resources that you have at your immediate command. And saving \$150,000 plus is a good way to start. Thank you.

>> Councilmember Pyle: Thank you. There are any other members of the audience? Seeing none, may I have a motion to approve the report?

>> Councilmember Kalra: Motion to approve.

>> Councilmember Pyle: And all those in favor, that is approved. Thank you very much. We are ready to move on to the Mayor's economic stimulus plan, update. I believe for that Leslie Reynolds is the leader, Leslie parks. I can't believe I said that first.

>> Paul Krutko: Madam Chair, we're ready to move forward with the retail strategy.

>> Councilmember Pyle: I missed that. You don't have to move. All right.

>> Carol Hamilton and Leslie Parks here to present to you on the retail strategy for the City of San José. Wanted to take a moment just to say that staff welcomes the opportunity to give you this report. There are a tremendous number of projects and activities going on throughout the city. We are three departments that are actively engaged in retail but Public Works and Department of Transportation are also equal partners of what we do. Sales tax levels, what they currently are, Stevens Creek signage something downtown and neighborhood strategists, strategic retail sites and sales tax currently represents 21% of our General Fund revenue. And it's interesting to think back that it used to be about ten years ago that sales tax was a larger share than property tax. And part of that, a large part of that was business to business sales. And most cities have a relative larger share of sales tax than property tax. As you notice moving forward, business to business sales tax is on the rise, on the height of a currently very bleak property tax situation. After a bleak 18 months, after you look at land use and revenue generation, you find some important and strategic things to think about. And the purpose for including that in this presentation is that pound for pound, square foot per square foot, retail is tremendously effective at

bringing dollars into the city. It's a share of land that's dedicated to retail, 4%. But we generate 20% of the revenue. Here's that slide, just to note that business to business sales which generally relate to companies like Cisco, selling to other companies, and/or leases, maybe Calpine for power, are what comprise that segment, and it is on the rise, and notably so. Overall, retail in City of San José remains challenged. We don't have sufficient sites. And so we are underretailed and folks are going across the borders for their retail sites. Where we started out about 23%, 24%, we are now about 19%. But if you place that under the anticipated growth of for the next 20 years, we will possibly reach as high as 30% underretailed. A lot of that will depend on what retail gets generated into the future. With that I'm going to turn this over to Carol Hamilton to speak about Stevens Creek signage.

>> Staff will be bringing an ordinance forward to the council on April 7th for the Stevens Creek boulevard area. The city boundary currently runs down the center of the street. And the properties on north side of the street in the City of Santa Clara are subject to different sign regulations than the properties on the South side of the street in San José. And those regulations differ in a way that disadvantages businesses in San José. And they promote a visually imbalanced streetscape. This slide shows some typical free standing signs in San José. They're monument signs. They're relatively small and not very tall. And they're pretty well representative of what our current sign code allows. The next sign shows clear standing, in the City of Santa Clara, right across the street, the signs are larger and significantly tall person we've looked at the sign code and are proposing to make some changes, that proposes to create greater equity between the two sides of the street. Those changes include creating a special Stevens Creek boulevard signage area that would have specific regulations that are specific to that area that would deal precisely with free-standing signs. And the proposal would be to increase the allowed sign area from .2 square feet of sign area per linear foot of street frontage to .6 and to deep the maximum size of 120 square feet, we're proposing to increase the maximum height from 20 feet to 30 feet. And to allow two additional free standing signs for any parcel that has an outdoor retail display frontage of at least 100 feet. And I think just to give you an idea of what that means currently, it takes a parcel frontage of 600 feet to qualify for the maximum size free standing sign, and under these regulations a parcel of 200 linear feet would qualify for the maximum size area.

>> Director of downtown development would provide its downtown resources regarding retail.

>> Thank you, Nancy. In spite of the down economy we've actually seen quite a bit of retail activity in the downtown. It has changed in terms of composition. But on the list that you'll see after this next slide you can see we've had quite a few new businesses open up in the downtown. Largely restaurants, but a diverse range of restaurants, some at the high end, some at the mid range and more recently we're seeing quite obviously restaurants at the low cost and fast food because people have dropped their price points in terms of where they want to dine especially at lunch time. But again, I think the list is pretty diverse. We've had some new retailers come into the downtown, personal service and also in our neighborhood abouts districts, also. So we are seeing a lot of activity. So it's not as -- I don't think it's as dire as we think. The other bright spots in the downtown quite obviously is the announcement that the new product that Safeway has, the market will be taking place at the 88, 24,000 square foot, tenant improvements are underway, and I think we're anticipating, well, Safeway has told us they're going to open in the summer of 2009. We're hoping that is going to happen. I think that will activate that space and be beneficial not only to the project itself but to the surrounding area. The other bright spot is, there are negotiations for the Ross are dress for less store where the black sea gallery is currently located. These are discount oriented stores where people want to shop because they are seeking more value. Anticipated opening for this store is October 2009. We have been focusing our efforts in the downtown and in the industrial area. I'll talk more about that when I talk about the economic business strategy. We're focusing our efforts on business strategy. You've already had a pretty detailed overview of the enterprise zone because we got our expansion approved. The enterprise zone is really helpful to the businesses in the downtown, especially the restaurants and we're very proactive to our outreach to them. We process all the hiring tax vouchers for businesses and this relieves them of the cost and the trouble. Because if we didn't do this they would usually have to go to a third party provider for that. We have a small business loan program that I'm going to describe the details on and also our restaurant consultant that we have brought on board. She makes her services available to any restaurant in our redevelopment project area. They get up to 4 hours of consulting. She will do a presentation and provide them with a plan. The small business retail loan program you would think in this market there would be huge demand for this program. Our loan manager has sent out 34 applications in the last two months. I checked with him last week to see what the response rate, the submission of applications, he said it's

been very slow. And the problem is that in spite of the low cost terms of the loan, people are really reluctant to take on more debt. In talks with the business owners, they are -- talks with the business owners, they're just very scared with taking on new debt. We have three loans, one to fourth street pizza, fourth street pizza is also getting a sign grant that will help them quite a bit. If you notice they don't have a permanent sign. We have the classic jewelry and blue mango. It's very dulling to get people to be receptive because they're afraid of taking on additional debt. I mentioned the restaurant consultant, and I think this is one of the best services we have currently to offer to restaurants. This lady is quite good. She can go in and size up a restaurant in about ten seconds, tell them what to do to fix flow, marketing, signage some, service, so this has been very successful. What we are planning to do is a restaurant boot camp probably middle summer that will be open to any prospective restaurant operator. We want to get to them early so they understand the challenge before they sign leases and make real commitments. We are still doing our effort to recruit new retail. It's obviously more challenging in the current environment, but there are some stores that are doing well. And there are opportunities in certain of our -- in certain neighborhood business districts where the rent has dropped and where there is greater vacancy to bring in stores. So we do make a concerted effort to outreach where there are opportunities. There are closures and consolidations. You see them every day in the newspaper. A lot of the Mervyn's spaces even though they're going to be -- these are vacant stand alone stores, there is interest on the part of other retailers to take these spaces. Because we are a built-out market. So in any time there is a vacancy, there is an opportunity for a store that hasn't had a presence in a certain market area, they can come in and take these spaces. That's my presentation on NBDs in downtown. Nancy.

>> Wanted to mention to you business owner space which I'm hoping you're all familiar with but it's a very powerful tool that at Paul's director, Jess Russer, Work2Future service board, improved the model, moved us further, how to provide great service to small business. What you'll see is there's 51,000 who have gotten information, which is a huge scalable number for us, and there's Spanish and Vietnamese language assistance as part of the program. What it is is a network of small business providers. And there's an operating committee which coordinates all of the activities together. The idea is each one of the businesses that can come in accesses each one of these services on an as-needed basis. They can be done online, they can be done after hours. Because as you know the businesses in your districts are 24-7. We found with the entrepreneur center while it's very useful it's very difficult to get people to come down during business hours and spend the time there. This is an array of services that gets better and better. There is quality control within the boss, business owner space itself. One of the opportunities may be for us to work with your districts even more closely to make sure that the folks, the business folks in your district know that the business owner space is available. Because what we find still is that marketing and/or awareness is the biggest challenge. The other portion that we wanted to move onto in the update is just to remind you there are approximately 17 sites that planning, redevelopment and OED are working on for future development. They range from airport West which as you know is coming forward for a portion of that to be retail development. The Acadia Evergreen site which we are very eager to point out, has development capacity and owners who believe they can move forward in the near term. But Planning has moved closely to make sure that the bulk of these sites already carry a general plan and or zoning that will accommodate retail. Others we are working with to accommodate to make that change, general plan or zoning change. As we move through and as the economy continues to get better we're consistently look for potential other sites. There is some interest on industrial park sites that are on corners, not in the center of areas that wouldn't have a tremendous domino, negative impact but we could then work with the framework for land conversion and retain those jobs, so there are also opportunities for future other sites, but it's difficult to make sure, and not every site can be a trail site. You have got to have visibility, great access, in order to can accommodate retail. Just a quick update, the at first project is moving forward. The developers are in conversation west a significant retailer for corner of 237 and north first street. Lowe's, the first Lowe's has already opened on Brokaw, we anticipate that in September the Coleman Lowe's will open and hopefully the Lowe's on Poughkeepsie will open. With that we are open for your questions.

>> Councilmember Pyle: Fantastic! Ash.

>> Councilmember Kalra: The items that I've seen many times on the surface, 4% of the share of land gets 20% of retail, obviously it implies that the retail land is very valuable. However, obviously if you triple that it doesn't necessarily mean you're going to triple the retail revenue. So if there is a comparison to other regions, other cities, what would be an ideal? Even what would we need in terms of retail? You mentioned we're underretailed now. But what would we need in terms of land to fulfill that gap?

>> One, we will always have difficulty to place large retail sites on freeways and or on other community borders, so that's the kind of gold standard. The more we can have people from outside spend their money here and go home so we don't have to provide their police and fire that's what really works well in terms of revenue generation for the city. So going towards the future, looking at sites along freeways that may make sense which is not always easy to balance with all of the other goals that are important and that will take into consideration, that will move us into that direction. We will also, as part of the general plan you'll see doing a retail analysis trying to get to that question, councilmember about what we would need in terms of a shift share of our population, based on what the leakage is and then taking that and using it a little bit as a crystal ball, trying to figure out what we'll need going forward for the 450,000 folks who will be coming here in the next 20 years.

>> Paul Krutko: I think the other point I would make is that one of the challenges that we have is that several of the sites will require substantive traffic mitigations. We have a very large -- we have been working with Mr. ELI Rinehart very extensively, we are moving forward with retail on his one property, adjacent to our property at Coleman and 880. He has the holding, the Arcadia holding and there is also a holding at Almaden and 85. The Almaden and 85 is an interesting example because there is -- he is very interested in proceeding with a significant retail development there but it would require a substantive traffic mitigation to make. That happen. That site has been looked at many times. The value, as Nancy was describing, we balance a lot of policies and values. The value that has been preeminent at that site has been to minimize the impact on adjacent neighborhoods. Which then to do that requires a very substantive investment in traffic mission. You understand how difficult that becomes that traffic mitigation then impacts the ability of ponds for water percolation which would require those to be relocated which would then take land out of supply, for Mr. Eli to put retail buildings on them. We've put substantive transportation improvement, takes ponds out of commission, needs to have those moved which reduces yield. So it becomes in a built-up city these become pretty difficult challenges. One of the things that may sound, you know, sort of anathema concept with the council, we may need to make these sites work since they're not in redevelopment, I'm talk about that in a second, but in nonredevelopment zones, we may have to use part of that new sales tax stream to make that project go forward. So over the long term, we would generate substantive sales tax but we might have to use some of it at the beginning to sort of prime that pump. Where the agency can help us, and we know they have challenging budgetary issues but there are sites within the redevelopment zone where same kinds of problems present themselves, traffic mitigation, maybe going to need to acquire some property or whatever? The agency can help with that. We will certainly welcome that help to make that happen. But the trick here, to answer your question, is that as Nancy pointed out, we got behind as a community because we felt as a community in the '50s and in the '60s and the '70s and probably into the '80s that residential was good and they would generate property tax revenue. Other communities felt retail woo generate sales tax revenue.

>> Councilmember Kalra: A lot of cities, urban cities have a different, shifted a model of how they build their shopping centers. I bring that up just because we have wide expanses of parking lots as opposed to thinking about now putting parking as part of the structure, putting park above, above the retail or below it, and below it can be a lot more costly but you know, thinking of create being more higher density model for shopping centers rather than the same model that we've been using. Given the fact that we're running out of space to do it, running out of the opportunity. If we're going to add people, we certainly don't have enough space necessarily to add, if we're adding 40% more people, we don't have enough space to add 40% more retail. Just thinking along those lines, how we move along in the future of creating these higher density shopping centers as well. Even in just terms of the park, the rest of it could be -- the target could be the same size, that whatever the Safeway, can be the same size and so on. But to not have what ultimately ends up being waste of land, when we think about -- when we think about the needs we're going to have in the future, ultimately you may have to that whether we like it or not. 30, 40 years, starting to create a hire density there. But if we think of ways that we can do that now, creative engineering now it may be at least a direction to look into.

>> Councilmember, planning staff, redevelopment staff and OED staff very much agree with you and there's also a challenge in the marketplace. Retail doesn't pay that much per square foot and has very tight margins. So the cost to provide parking is generally something that they struggle with. So over time, as we become more and more dense, that will help us. Because as you see, a store in San Francisco or a store back east, it's because of those densities. But it's going to be uncomfortable and honestly, in order to make that edge, the new general plan, there maybe especially in areas which have large tenant

spaces, to have help with the parking. On parking plus spaces. Otherwise, and we have to think about that carefully to preserve those opportunities, otherwise the marketplace will pass us by.

>> Paul Krutko: One of the discussions on a very interesting meeting that Councilmember Liccardo and I participated in, about reducing vehicle miles traveled and the importance of density this past week, one of the things that's interesting is, we would like to explore, which does to some extent, will require strong leadership, from whichever councilmember's district it happens to be, to look at sort of neighborhood shopping centers where we have a chance to introduce structure park. If you think about and I'm not -- just because we've talked about a lot, if you think about could you create structured opportunity along Lincoln avenue for example, much like they have in Los Gatos, what was brought up in the meeting that we were at, was the notion that people would be more likely to stop at three or four stores if they didn't pull into a parking lot that had a sign that said for Joe's you know, shoe store only. So that you then come out of that and say well do I need to move my car, as opposed to, I pull in a city facility or maybe a privately run facility you can leave your car there and go to a number of different locations. So there's a smart growth piece of this that's really tied to spurring more retail spending, as well.

>> Councilmember Kalra: On the sign regulations, I'd be glad to see that we're creating this exception, and the Stevens Creek corridor, I may have mentioned this in a previous meeting, we need to explore this in other areas as well. I'm not suggesting we do a gaudy situation like in other cities, 100 foot signs and things like that but there are ways we can highlight retail centers, especially off the freeways. And so I would, as we're looking at this as an opportunity to create an exception for the Stevens Creek corridor, that we should look at creating some kind of flexible regulation, some regulation allows for some flexibility in the larger market centers and the larger shopping centers. Because I don't think that we do enough to pull people into even our shopping malls. If someone was driving along the freeway, I think we can do more outside of obviously the state regulations on the freeway signs. I think we can do more to really attract people to our shopping centers. Thank you.

>> Councilmember Pyle: Rose, did you have anything --

>> Councilmember Herrera: Yes, thank you for this report. There are a lot of things that are interesting and exciting and of course challenging as well. The Arcadia site's very interesting. And I've had a chance to speak to some folks from economic and redevelopment about economic opportunities out there. One of the exciting things is to create an center that's walkable, that might possibly tie into transit, one of the things I think is important, to look at transportation opportunities, bring people to our retail as opposed to having people go outside to other cities' retail. I'm thinking about how creatively how can we tie that into transportation, how can we tie that into mixed use, community center and other kinds of amenities. So there's opportunities there to achieve some things for the community that they have been working on since 2000. So I'm hopeful that we can work -- that ELI Rinehart will be working with this and that Acadia site can move forward. I hope I wasn't hearing that the 85 and other sites are sort of gateways to get to the Acadia site.

>> Paul Krutko: No, no. I was reflecting that we've had three major holdings in the city. We have been trying to engage him on all three given our underretailed position. And all three have an opportunity for a substantive retail yield from them. We've been trying to encourage the development to happen in that way.

>> Councilmember Herrera: That's a very important opportunity for San José, for East San José, Evergreen, that acadia site. Walkable, where we don't have park lots full of cars as Councilmember Kalra was talk about. Not only intensify the park structures but we want it to be walkable. We don't want people walking across parking lots full of cars, but create streetscapes and have nice places to walk and interact and shop. That's kind of my hope in the future, even though it's tough economic times I think we still need to have that vision to be working towards that. I just want to say that Mervyn's left our area in the east side and now we have Kohl's. So I'm not sure where they've moved in but to your example on that. I was also just a thought in terms of these -- the small business retail loan program, I know that's only for redevelopment areas. Gist wishful thinking that we could extend some of these consulting and other services to some of the retail restaurants that are in other neighborhood areas throughout the city that might want to take advantage of those things if we're not getting a lot of response, you know, in terms of that opportunity. And also signs, I think we do need to revise the sign program and signage is very important to businesses. I hear that from businesses, not only downtown but in neighborhood areas, too. There are areas in district 8 for example where you can't -- you know you can't even find the shopping center. There's not even any signage to indicate there's any retail. I think it's important that we move forward in having some sign regulations that allow for more appropriate signs. Thank you.

>> Councilmember Pyle: Okay. Sam.

>> Councilmember Liccardo: Thank you, Nancy. I want to thank Nancy and Leslie and hard work of your teams. I think we've made some great success. Just looking in recent months, the fact that we've got Safeway and Ross, bucking overwhelming tight of retail contraction throughout the city. It's amazing that we're even able to tread water and get store openings. It's great news and a lot of people are thrilled to see it. I had a couple of questions. One was the map of major retail opportunity sites. It seems to me, this is a series of sites outside my district, outside my district and Kansen's. It's labeled 15-880 corridor. It's labeled inconsistent with retail use, is that currently industrial site? It seems an ideal location along 880 with signage and everything else. There are particular hurdles there for us to be able to --

>> Yes. This doesn't represent a current project or anything. It's just the notion that you had the Mercury News site there.

>> Councilmember Liccardo: That's the mercury site.

>> In the future, depends what happens with the Mercury News, it could potentially put that whole area into consideration of a different type of use. But I say big exception to that is that there are literally hundreds of heavy industrial jobs right there. And so not needing a four-year degree but yielding good -- if you go there today it's very Buzz. So the type of tradeoffs that we are thinking about would be very carefully weighed.

>> Councilmember Liccardo: Understood. I'm sorry I missed that part of the presentation but thank you for filling me in. One of the speakers at this conference that Paul and I attend this week was urban land institute, talking about the extraordinary demand we're going to have in future decades for housing need and growth and on and on. The expected need for retail space was going to sling despite the extraordinary growth we have, because of the Internet and the ubiquity of people making purchases over the Internet I presume, I question the consultant they relied upon, looking at sales tax revenue over the next few years, suggesting it's going to be flat, I frankly don't believe that. That kind of pessimism at least for the growth, potential growth of retail and sales tax certainly gives me reason to -- well, more than be concerned, to actually start to think, what other horses can we ride in terms of revenue. If there is any progress in Sacramento to date about the notion of flattening and widening the sales tax, start to cover activities that aren't currently covered, i.e. services, if there is any movement in Washington to incorporate Internet sales, is there any hope that we will be able to salvage sales tax as a revenue source?

>> Paul Krutko: Well, I can maybe try that and others can chime in. I think that the question on the Internet is a national issue. And I think that surprisingly, we are hearing from parts of the -- and the need for sales tax revenue to support municipal budgets, is not a California phenomenon alone. There are interestingly additional states bringing themselves into the mix of wanting consideration at the federal level about some kind of tax on Internet transactions. So I guess we need stay tuned on that. I guess many of our companies have been at the forefront of leading the change in platform and are very strong in their viewpoint about the appropriateness of taxation on Internet transactions. However, I think as you know, and as other elected officials around the country know, there's a balancing act between that going away and what is the back-filling of those revenues to provide services to those same companies. We have them in our own community who are look for police, fire and other services but they're very much opposed to adding that tax. Your other question I think, the state I think in the budget deal that we're already talking about now is already looking to somewhat broaden the categories of things that are covered by sales tax, that's part of what's there. I think one of the interesting things, and I agree with you, we were very anxious and asked for it and I don't know that we've received it yet for a copy of the VTA analysis. We found just what we were told, to be interesting and worthy of the study. We'd love to have John Lang who's met before our chief economist. One of the leaders of the VTA said, not by handing me a document but what their consultant believed was, there was going to be a change from sort of those hard retail sales to much more spending by the consumer on the services side of the equation. So it wasn't that the consumer wasn't going to spend, he was going to change the mix or she spent on. Now that would lead, we didn't engage the ULI consultant in this conversation but to the extent you're seeing less of space for hard retail, would we give that space more devoted towards the services delivery? And so I think there's probably room for us there, as well. I think we're going to come to that conclusion. And the last thing is just we function as an economic region but we're our revenues are not distributed as an economic region so we have subdivision of government created back when we were a farming community, in a location that functions as a complete economic unit. So we're probably going to have to get our hands around all of those things you mentioned councilmember and I would add mine, how do you add those functions in a region that really functions as a region?

>> Councilmember Liccardo: We have not yet incorporated any services into taxation.

>> Paul Krutko: There were a few things that they were adding like if you play golf, you're going to pay sales tax.

>> Councilmember Liccardo: That's right.

>> Paul Krutko: They're tiptoeing over in that direction.

>> Councilmember Liccardo: They haven't dived in. The last question I had was spurred by something that Paul said, this idea of somehow or other, if we are looking for ways to building a park structure, outside a retail area, it looks like you're bonding off of a future stream of sales tax revenue. Has anyone else tried that?

>> Paul Krutko: We have not done it here but it's certainly something that we could do and people have done it elsewhere. So yes. It's -- the balancing test there is, obviously we would need to structure a transaction that valley a net, you know, we can demonstrate to the council's satisfaction that there is going to be a net return to the General Fund or there would be no reason to do it.

>> Councilmember Liccardo: Right.

>> Paul Krutko: But I think the invocation shared park facilities is something we need to get to, not from what I shared, that people would need to spend more but from a traffic concern, having people maximize trips when they go to a particular location.

>> Councilmember Liccardo: Thanks.

>> Councilmember Pyle: Paul, I just wanted to ask, in those areas that have been tried, I'm assuming it was successful.

>> Paul Krutko: Yes. I don't know all the details.

>> Katy Allen: , but as a tool, the notion of treating a sales tax increment stream, much like you would treat a real property tax stream, has been used.

>> Councilmember Pyle: Is there anyone in the audience wishing to speak to this item? Seeing none, it's a well put together report. With that may I have a move for approval of the report. Motion and second. All in favor, aye, that's unanimous. Thank you very much. So we're moving on now to 3.3, the mayor's local economic stimulus plan.

>> Members of the committee, Leslie parks, from the redevelopment agency. I'm here to provide you with an update from the mayor's budget message for the redevelopment agency capital budget. I'd like to begin by saying though, even though that was the mayor's message for the agency budget, it's really this economic stimulus plan that we're presenting today is really an effort that is a city and agency effort. It is a partnership that affects all departments, all staff in the city. Anyone who touches economic development. It is not just the agency's plan. A couple of things to note, too. And that's why Nancy is here with me today because we crafted this update together. We wanted to tell you that this stimulus plan really focuses on creating and retaining jobs, encouraging private investment and leveraging that investment, building and retrofitting city infrastructure so that it is ready and supportive of development, and also leveraging our own resources between the city and agency programs that are available to encourage private investment. Again, it's a partnership and what I'm going to do is rather than go through as you can see, you'll be relieved to hear, I'm not going to go through every item on the matrix. But I want to hit the high points and then have Nancy join in with me to also address the different directives. And there were quite a few. I don't think anybody was any more surprised than me when I saw this message, holy cow, this is a big work plan. In terms of our efforts to focus on tomorrow and -- today's and tomorrow's driving industries, the industry sector that is showing the greatest activity right now is the Clean Tech sector. You saw a number of businesses last Friday, after the mayor announced that if anybody had any questions or needed assistance from city staff, the two staff people one from the agency, one from OED, they were inundated with inquires. They never made it to the Clean Tech lunch. We are working with no fire than about 15 companies right now looking to expand. Now, having said that, they're all -- they all have challenges because they, too, have been caught up in the capital market's inability to finance a lot of their production and their ability to expand. So that is one of our key driving sectors. Again, also we focus on emerging tech and we have our biocenter expansion, which is moving forward. So these are all part of the outreach plan that we have and that we are implementing today. Moving further on, I also want to also mention we have a number of activities that we are undertaking, as part of that outreach, we outreach to the joined venture community. We just did a joint presentation to relocation specialists. We are also focusing on retention. That is so critical now because it's really fighting about keeping the customers you have. We want to make sure that they can stay in San José, that they can weather the recession and get through it and then hopefully continue to grow and

expand once that downturn is over. We are moving along also in building up tools and resources. We have a vacant -- we have a database of available sites that we use, that's between OED and the agency, so if someone accommodation to us and asks about a specific location, we can come up with sites, we can do that fairly quickly. It is not the most comprehensive of database but it is the best we can do now and tailor it with any anecdotal information we good from the brokerage community. We are looking at extending the time limits for permits, so that projects that are facing some challenges right now won't be penalized by having to come back and get extensions to their existing permitting. We are moving in the areas of the workforce, as you probably know, our federal workforce program has received additional funds through stimulus. These will be focused on training and assisting businesses and also individuals in finding work. We are extending also our park incentive program again, these are critical tools that we feel are important to attracting and retaining businesses in the downtown. We have a number of different areas that you can see that we are also moving in trying to explore new avenues, helping new business afford solar systems and et cetera. Nancy's office and my staff are talking to PG&E about getting economic development special rates creating areas where we might use incentives, et cetera. Another comprehensive part of the strategy obviously is the housing industry and assisting our residents with their issues with respect to mortgage, maintaining their mortgages, et cetera. I've been really surprised in the past couple of months how many bank owned signs I've seen in the city, even in the area I live, in Willow Glen, I'm seeing an increasing number of bank owned signs. So this is an area where we want to step in and help as much as we can. Again, we are using our capital improvement program to stimulate projects at the forefront, is the convention center. We are also moving to work with the facilitation of the BART line. Again, these are projects if they can move forward will help create jobs and stimulate the economy. There are a number of other capital projects that we are funding. Everything from playgrounds to assistance to the municipality stadium. This is what we can do in the short term to stimulate economic development in the city. Again there are quite a few initiatives. I tried to hit the high point and then I thought Nancy and I could answer any specific questions you might have about the plan. The plan itself is really not a formal document. It is something we have used as our work document for quite some time. We are fine tuning it to meet the needs in the economy, the downturn in the economy. But I think can you see it's a pretty comprehensive effort and again, it's a partnership of all city departments and the agency as we move forward and implement this. So with that, Nancy and I are available to answer any questions you might have.

>> Councilmember Pyle: Beautifully done, Leslie, I like did way you wrapped that up in a hurry. And we just happen to have some questions.

>> Thank you.

>> Councilmember Kalra: Thank you, thank you for the report. And when I was at -- everybody in the San José metro area knows I was in D.C. last week. So while I was there, one of the strong --

>> Councilmember Liccardo: The idea you want to make, just as hard to hit.

>> Councilmember Kalra: Anyway, there was a strong emphasis throughout the convention, not only congratulations, but the weatherization program, even more than solar, I think in particular, I think it's something that a lot of people probably need in their homes that may not want or why it may not be a desirable location for solar and so on, there is a great emphasis on that. I saw kind of in general it touched upon here. But can you give me any kind of update or any kind of information on what specific programs we're looking at here to try to attract some of those funds, as well?

>> Thank you, councilmember. Particular interest from both environmental services department and OED, with the housing department and the agency, the opportunity to go off stimulus dollars and to take advantage of other block grant funds that are allowed for that as well. From a Clean Tech avenue or proposal, it is some of the best dollars spent because they amortize quickly. Environmental services working through their integrated waste management division is already working with us on a proposal to gather more dollars for just those purposes.

>> Leslye Krutko: Thank you, Leslye Krutko, director of housing. As it relates to housing and weatherization, there is a big chunk of money that goes to the housing directly, San José community action agency does manages the weatherization. We will be getting money, that's the good news.

>> And hopefully, additional dollars on top of that.

>> Councilmember Pyle: Well, I'm sure we have some questions from the audience. Let me see what we have here. I believe no, we have to wait to 3.5. So with that, very comprehensive report, did you have anything you wanted to add, John?

>> No.

>> Councilmember Pyle: No. Okay.

>> Councilmember Herrera: I do have one question.

>> Councilmember Pyle: Okay, rose has come up with a question.

>> Councilmember Herrera: In the funding for workforce development, how many are we expecting to come in from federal sources?

>> Paul Krutko: Thank you, councilmember. We are still trying to get DOL to finalize its allocation, it is a good news-bad news sort of issue. We have now an unemployment rate within the city that is higher than the national unemployment rate. And since the dollars are formula driven and one of the key elements in, they say that in Washington because I was in Washington last week, as well, chasing money, myself. They used algorithms to formulate. You might look at us and say, we don't have chronic unemployment in some of the other parts of the country that have poverty that's been there for decades. But part of the preference in the recovery act was to areas that had had sudden dislocations. So we were given a number north of \$10 million, it might be above that, in addition to the allocation we received now, which is generally in the 11 to \$12 million range. The key piece in that that we have to move quickly on councilmember is, half of that is for summer youth. And we are organizing our departments to respond to that. We think we can provide significant opportunities for these youth but also get work done that we're looking to get done in our community. So the other half of it is geared towards the traditional adult and dislocated categories, extensive training. There's also going to be opportunities, the state will get additional dollars on a competitive basis and will be able to pursue those. And we would really like to hone in, as Leslye talked about, one of our real opportunities are, if we get these companies, we need to have a trained workforce that can respond to green job opportunities. So making sure that we're working towards establishing community colleges and others, green training programs that will prepare people for these new opportunities.

>> Councilmember Pyle: I just had three quick -- oh, rose.

>> Councilmember Herrera: I still had a couple others, actually. In item number 3 here, in the report it talks about coordinating with the mayor's office, to inform in outreach strategies to venture capitol corporate and development communities on incentives. What feedback are we getting on our programs to do that? Are we getting feedback from --

>> Folks from the agency and OED were going as part of our business outreach strategy and the interest has been high. We started from a low point, where sand hill road didn't necessarily pay much attention. That's increasing and we're seeing a modest investment of VC in the area and the conversations continue. The most recent conversation has been around the Clean Tech strategy and Green Vision.

>> Councilmember Herrera: In terms of retention, I think that's very important to retain our companies, that strategy, what role do you think the individual councilmembers, how do you see the role of council?

>> We see you as another outreach, another member of the team in outreach. With the number of companies we have in the city, especially, our driving industries, we can't have enough people going out and talking and representing the city. So we are happy to come in and we've met woo couple of councilmembers already. Happy to come in and talk to you about what our current efforts are and how you can add value to that. You are our best ambassador, you are out in front of business groups, out there all the time. So we can give you briefings, materials, get you up to speed. But we do really see you as extension of the team. There are so many businesses, we don't even hope -- in San José alone, there are 55,000 plus businesses in the stir. And this retention effort while we're directed to focus on driving industries because they are the highest value jobs, I don't think we can neglect the rest of the businesses in the city, too. So that's the area where we really count on the council to come in and help us out. And also to target, if you have businesses that you think are in need, that we have not heard about today, I got an e-mail from Councilmember Liccardo about a business in the downtown, that's struggling, they just opened and so we're going to be sending our loan representative, our loan manager out to talk to them and other assistance. So when you see those businesses, we need to let you -- you need to let us know about it because sometimes they don't appear on our radar screen as easily so we'd like to have that feedback.

>> Paul Krutko: So one of the things to underscore, Kim Walesh and my staff have prepared what we think is a very excellent presentation format that we believe provides a very consistent message about what our attributes are. And one of the key elements that we still suffer with is what the global severity about, is a disconnect between our preeminence nationally and technology fields and sort of how we are perceived. Are we in Silicon Valley, are we not in Silicon Valley, that's the question. So you know, the

proof points are pretty substantive, where you know, we have more patents issued in San José than the entire state of Massachusetts. So it has those kinds of points in there, it's in a very readily accessible PowerPoint presentation. I think we were going to be rolling that out to the various offices but we would really encourage you as you talk to groups to use that because you never know where the next lead for the next thing is going to come from. And telling our story is very, very important. And then what's really important then is that we make sure that as you harvest those kinds of leads, that our team, both RDA and our office and the manager's office get to those leads and provide quality, responsive service. Because nothing will cause us not to achieve the results as for you to generate leads or for the mayor to generate leads and we kind of miss that hand-off. And so that's really important, that we get those, and then we respond very directly. I'll give you a story. We've even enlisted our Patten Boggs lobbyist, was in a meeting with Congressman Honda, a business prospect sent it to me, Merrick was on the phone to me and wanted to know if I had contacted that company. Fortunately Nancy had.

>> Councilmember Herrera: One last thing on the foreclosure, talked about on a number of different ways, can you comment on how we can work together with housing, RDA, the city, this focus from the mayor's office to help move these foreclosed properties, particularly the ones that have been virtually destroyed, how can we rehabilitate these properties, centralized focus on these properties, put them together maybe with a partnership with the private sector and renovate them and get them sold?

>> Leslye Krutko: Council, we actually have a presentation later on this agenda that will speak to that. I will say that while we see a lot of the properties that are vacant around the city, they are selling rather quickly. That is why you see our median price going down so much. So it really, in many cases, was more of a temporary problem. But they are selling, and investors are buying them and fixing them up. But we do have a program we'll be talking to you about in just a few minutes.

>> Councilmember Herrera: The ones I was concerned about would be ones that were pretty onerous. The ones that are really, really bald damaged. The ones that are in pretty good shape I'm sure will move quickly. The ones I'm worried about cause additional blight in terms of the neighborhood. What I'm concerned about is the ability to tie those in with affordability, for the home buyers who wouldn't otherwise qualify to get into housing. It is part of the affordable housing.

>> Leslye Krutko: Again, we'll be talking about that later. I've had brief discussions with the City Manager's office about having a special study session on this issue so the council can hear from all of the partners that we're working with. This is a very big issue and there is a lot of people that we're working with and we think it would be very helpful for you to hear from everybody.

>> Councilmember Herrera: One last point. If we could identify, we were in a session earlier with neighborhood leaders, if we could identify foreclosed properties before they could become abandoned and abused, we could take more proactive steps to make sure they don't end up in that situation.

>> Leslye Krutko: One of the things we've talked about and I'm again working with the City Manager's office on this, is the idea that's been used by several communities, that whenever a bank forecloses, we know that's the fee, that's our database, and we can keep track and that is something we are looking at.

>> Councilmember Pyle: I have one quick question, one has to do with number 20, Diridon arena strategic plan. I shouldn't assume, never assume, is going to incorporate the potential ballpark into the plan.

>> They are looking at -- there are six groups, three groups are studying it without and three groups of studying it with.

>> Councilmember Pyle: Interesting.

>> John Weis: They are looking at it. Two has it in the exact same location, buying land, one has it in another location.

>> Councilmember Pyle: So stay tuned.

>> John Weis: They will be finished on May 5th I think.

>> Councilmember Pyle: And the medicine stadium and naming rights to the San José giants, number 23, is that something we can talk about at this point or not?

>> Paul Krutko: I don't have anything to report on that.

>> John Weis: Nothing on that. I mean we're proceeding with the work in the first phase which is \$600,000 worth of improvements and then working with the committee to determine the future needs of the stadium.

>> Councilmember Pyle: Right, got it, all right. With that are there any participants from the audience wishing to speak on this subject? Seeing none, thank you very much for a wonderful report. Good job. And with that, I need to move for acceptance.

>> Councilmember Herrera: Move for acceptance.

>> Second.

>> Councilmember Pyle: A movement and a second. All those in favor, that passes. Housing element update, can you do that -- what did I say? 3.4, the general plan housing element. Yes.

>> Thank you. I'm Allen Ty from the Department of Planning, Building, and Code Enforcement. Last year, we introduced the update from the 2007 to 2014 period. We discussed the importance of having the housing element certified by the state for us to maintain eligibility for state funding for housing programs. So today we will talk about where we are in this process. As you know, the housing element is one of seven elements in a jeopardy. The slide shows you components we have in our housing element, constraints present in governmental regulation as well as constraints presented by the economy, that can create a challenge to meet the affordable housing target set forth by the state and ABAG. To demonstrate how we're taking action to remove these constraints the housing element also contains policies and programs that facilitate production on the one end and on the other end, assists those in need of housing gain housing opportunities. The housing element includes an inventory of sites in the city that is available for residential development. Under state requirements, the housing element also demonstrates how we plan for our fair sheriff housing, and that allocation is assigned to us by the state and our regional government, ABAG. As you can see San José's allocation is close to 35,000 units which represents an increase of 33% from our previous housing allocation. And it's also more than half of the county's entire allocation of housing.

>> Up to 35,000 total housing units allocation, 56% or 19,000 housing units are allocated for affordable housing units with a significant increase in the allocation for low income units and very low income. This increase will certainly make it more difficult for the city to meet its needs this round, as you probably know in the last housing element update cycle we were very successful and we did a great job in meeting those allocation numbers. Additionally the state's current financial crisis has had a significant impact on the housing element. The housing funds their currently frozen which is used to leverage about \$6.4 billion of additional housing development, this represents 93,000 jobs and about \$54 billion in total economic benefit so it's quite a large amount. In San José itself, San José typically leverages about three times as many dollars as it puts into rental projects. The city currently has several projects that are on hold due to the state's budget situation, representing about \$53 million in state funds that are actually due to the city. So while the funding picture is bright it is constantly changing and therefore this underscores the importance of having a housing element that's certified so that the city is ready and eligible to receive funding when it becomes available again. The housing element builds upon existing housing strategy, the 2020 plan identifies additional areas in the city that can accommodate additional housing. These combined areas represent a total holding capacity of about 68,000 new housing units which is sufficient to meet the city's 35,000 unit capacity for the housing cycle. Encouraging housing near transit and job centers. Therefore this housing update is consistent with facilitating new housing. Development opportunities at higher densities, being coordinated with housing laws. On infill sites and near existing neighborhood services. And the intent of all of this is to promote complete, balanced and sustainable neighborhoods. The housing element also identifies programs as Alan mentioned before to facilitate residential development across variety of opportunities, home buyer programs, neighborhood improvement projects, homeless services and project development programs. The housing element also identifies ways that the cities are -- the city is attempting to streamline its process improvements. This includes streamlining the permitting procedures, reducing costs or increasing the level predictability in the development process.

>> To inform the public about the housing element updates, staff has conducted extensive outreach in the past year. Currently we are completed -- we have completed the draft housing element. And we are currently in the public comment period. The draft housing element was submitted to the state for initial review, and that document's also available online for the public to download. In terms of next steps we have scheduled community meetings at that time end of this month and also in April as part of our ongoing public outreach effort. We expect to have a final housing element ready that incorporates the comments from our initial state review, and the general public, in incorporating that for a Planning Commission meeting in May and to the city council for approval in June. The council-approved housing element should be submitted to the state by June 30th deadline for certification. So with that, Wayne and I are available if you have fully questions. Thank you.

>> Councilmember Pyle: I want to ask you a huge favor. Could you introduce yourselves, I didn't catch that at the beginning. So for people out there that are watching this, they'd like to know who you are.

>> I'm Alan Ty from the Department of Planning, Building, and Code Enforcement.

>> I'm Wayne Chen from the housing Department.

>> Councilmember Pyle: Thank you. Questions? No questions? Wow, good job! Are there any members of the audience that would wish to have questions regarding this subject? With that I think we're ready to ask for approval.

>> Councilmember Kalra: So moved.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: All those in favor, that is approved unanimously. Thank you very, very much. We are ready to move on to the housing and economic recovery act of 2008. With that we'll shift gears. Good afternoon.

>> Good afternoon. I'm Sandra Leo housing department and I will be sharing with you an update on the housing and economic recovery act and neighborhood stabilization program.

>> Councilmember Pyle: Thank you, Sandra.

>> Just a bit of background. From the federal side, in July of 2008, the housing and economic recovery act was approved. \$3.92 billion was appropriated for neighborhood stabilization program, this is to address the skyrocketing home foreclosures. The San José is one out of 47 jurisdictions that received a direct allocation, within the state. The allocation that the city has received is \$5.6 million. We submitted our plan December 1st and the plan was approved in February ever this year and we just recently entered into contract with HUD. So we are now ready to or able to spend funds. The requirement, again a little bit of a background. The requirements for this program is that 120% of the area median income, that is \$40,000 to \$126,000, and 20% of the funds need to be set aside for very low income households and the income in that category range from \$37,150 to \$53,050. And this again is a household size of between 2 and 4. Another very important program is that the properties must be purchased at 15% discount of the current market value. In our targeted areas, which I'll identify in a bit, the media price single family home is currently at \$230,000. And the 4-plexes are at approximately 400. We are starting to see those creep up a bit. These funds must be obligated in 18 months. Not expended but obligated. And they need to be expended within four years. This is very, very quick turn around. And they are for the purposes of use in greatest need areas. Niece represent the foreclosures in San José, between 2004 and 2008. These areas represent the area of default. The black is foreclosures and red is bank owned. So it's really clear here. So just a little bit of history here, between 2007 and 2008, there has been 140% increase in foreclosure filings. In 2007, there were 5838, and then in 2008, we have 13,987. Just in the last three months, from October to December, there were 3016 foreclosure filings. These numbers here represent the foreclosures in various -- by category between the three-month period, the October 1 to December 31, 2008, total foreclosures in -- by zip code, in 95111 is 253, in 95127, 330, and again this is just for that three-month period, 95122, 930 and 95128, 430. These identified as a scoring of 1 to 10, 10 being the worst and these four areas here were at seven. The middle column shows a foreclosure rate percentage of all households in the areas, and then the last column to the right shows a percentage of owner occupied units. Are in October, housing department submitted our plans to council. And the plan included two programs, the first one is the rental housing development program. And this is to purchase rental housing. This is part of our a fourth component of foreclosure strategy, this particular program will maximize neighborhood impacts and also targets lower income households, maximizing the number of housing units. Again these funds, 25% need to be set aside for very low income. This program will -- we will end up spending a larger percentage of these funds for this particular population. The targeted area for use of these funds for very low income is Santee and the 95122 zip code. 95 properties are under court injunction. There are a large number of 4-plexes in foreclosure in this area. As of February 20th there were 16 properties in this particular -- in the foreclosure process. The goal here is to acquire, demolish and redevelop, to increase the density of multihousing units with amenities. After redevelopment, the rents will be affordable to very low income households. The -- I just wanted to note that the 94 properties under court injunction currently require property management services and security. Just a bird's eye of the area, as you can see, we have -- let me get my arrow in here now -- up to in the right corner we have highway 101, and the boundary is Santee. And I don't have a name on this, but it's close to Gucero. Gucero goes all the way around and then carnelian. These are a couple of these rental properties, four-plexes, the condition of the property. This is one that is boarded up. Though this is identified as being vacant, it was -- it appeared that there were occupants on the top floor. In the circle, in the center, this shows the posting, notifying that they are under this court injunction and that there was drug activity in the area, which is being watched. And then this is another property, same issue, on this

particular property there is graffiti, you can tell in the lower half that there is also dry rot. The -- this style of property is pretty much plywood, the exterior is plywood, painted over. And this style is in pretty bad shape. Currently, the status of this particular program, we are developing an acquisition plan, identifying the sites, and then evaluating the property for physical condition, to determine whether or not they should be rehabbed or demolished. RDA has agreed to act as our agent in this particular activity. The start-date is May 2009. And we're budgeting \$4 million, approximately \$4 million to target this particular activity. This will allow us to purchase seven properties, to demolish and to secure the property, if need be. We -- under this program, we can land-bank until -- land-bank these properties until we complete the plan. The second program is a home buyer acquisition and rehabilitation program. Again, we are focusing on the four targeted areas, the four zip codes, 95111, 116, 122 and 127. Looking at single family residents, for this tick category are households that have incomes, less than 120% area median income, and that again is household income ranging from 88,682 to 126,600, for families sizes of 1 to 4. Nonprofits that are assisting this income property. The goal of this program, program number 2 is to acquire foreclosed or abandoned homes. Again at the 15% below current market. And these funds can only be used for the acquisition rehab on foreclosed residential property, foreclosed or abandoned properties. In this case abandoned means 90 days, where we can prove that nobody has been in the property for 90 days. Rehabilitate the homes, to mitigate any damage due to deferred maintenance or vandalism, wherever practicable, we will include energy saving technology into the property. Resale, at or above the city's cost to acquire and rehabilitate. This is for the category of 120% of the area median. Under this program, we can implement financing mechanisms which would be a second mortgage, could be a second mortgage to assist in the acquisition of a home by an eligible homeowners. Anyone who purchases a home that was acquired and rehabbed using these funds are required to take a home buyer education and counseling class. The status of this particular program, we need to identify a partner who can act as an agent, to acquire and rehabilitate. And also, we -- it could be the same partner, or another partner to help with the resale of the properties. Again, this one will start, May 2009, as well. And if funds are available, a minimum of \$1.2 million is needed to implement this activity. Again, the primary focus of the City's NSP funds will be for program 1. So to the extent if funds are available program 2 will be implemented. Future NSP funding, the state was just recently approved for \$145 million. The city can apply or is able to apply for their 25% set-aside, that is \$36 million. We will be applying using this same program, this same plan to try to obtain additional funding. Federal stimulus, \$2 billion was approved on 2-17 and the application for -- it's a competitive application process. The application will be available May 3rd. And after that, I'm available for any questions.

>> Councilmember Pyle: We just had a jolting reality, that all four of us could qualify for that loan. [Laughter]

>> Councilmember Pyle: All right, so there are questions? Sam.

>> Councilmember Liccardo: Just had a question about the program, the second program I guess, focusing on rehab and resale. I know that Richard Florida came out with a piece in the Atlantic in the last couple of months that he suggested that given the fact that the push for home ownership more or less got us into this mess, that it may not be the best solution, for getting us out, and that for in a rapidly shifting economy like we experience whenever we have a severe recession, this is the severest recession, I think, that the enabling of people particularly in labor markets to be able to move freely without the weight of a mortgage and being trapped in a house that's underwater like my own instance -- no, I like my neighborhood, and I am underwater -- does that mean pushing home ownership is necessarily the best solution at the moment, as opposed to rehabilitating for rental? Or I guess I'm just -- the question is, I know that home ownership is, we put it up on a pedestal here in the United States, and we want to make sure that everybody has access to home ownership but is this really the right time?

>> John Weis: I'll give it a chance, too, Leslye. We went from about 62% to 69% in the last dozen years or so. And it was fueled in part by all these things that we're learning about and knowing. It seems to me that we're no doubt about to go back down, probably below 62%. And there's no doubt that there's an increased demand for good home ownership, and the housing department is going to do that, but there's probably a good demand for good home ownership housing for well qualified buyers who go through training, who don't have predatory lending and who can qualify. And I think that so much of what you saw on that map, that showed this cluster on 85, much of the problem was predatory lending. Home ownership as a part of that, as opposed to before where it was the total solution, it's part of a solution. And much smaller than it used to be, that's my perspective.

>> Leslye Krutko: I couldn't have said it better.

>> Councilmember Liccardo: Okay, all right, thank you.

>> Councilmember Pyle: Rose first.

>> Councilmember Herrera: As a lifelong resident of the eastside, I think buying a home is a dream that that people on the Eastside have like everywhere else and in large part got priced out, so moved out. Some are coming back and some are eligible to buy, certainly not all of them, some will become rentals, that will be a great opportunity for some folks who can actually live here and own a home in San José. Some of our teachers, others who work who aren't wealthy and living in other areas, can come and live in San José. That's a really good thing that can happen out of this.

>> Councilmember Kalra: And I agree with everything, both rose and Sam have said. But I do think that part of falling victim to this, the thought of the American dream is to buy a home, I think that there were predators that took advantage of that and there were other circumstances which allowed them to be able to take advantage of a lot of people. And that whatever you can give us and particularly in the short term, just the ability to keep people in a home, and I think that a lot of the talk, certainly at the national level has been so much on getting people from losing their home and not enough emphasis on the renters, and so I'm glad hear and glad to see this organized in order to help renters. I'm glad to see that in some areas they have gotten less attention, but maybe so far, the administration and those of you who are here that are helping, trying your best, I want to reiterate Sam's point on that that the importance of making sure that not only there's help for the renters but that the best short term solution is to beef up our rental capacity that that might be a better way to go especially for the short term rather than getting people back into homes in a very quick manner, that they could then fall victim to the same thing. But I do appreciate, John, you also mentioning and I understand that they're going to have a lot stricter rules, as there always had been up until several years ago, when buying a home, and it was always 20% down at least, and so on. And so having some of these stricter rules in terms of income verification and maximizing and taking advantage of some of the federal and state programs, that can help people get in there and make sure that they have the ability to stay in there because the worst thing is to get people back in homes again, seeing it come up again. I think that the federal government seems to be acting responsibly in that regard. I think our local agency is acting responsibly in that regard. But the money should go where the need is.

>> Councilmember Pyle: Is there any member of the audience that wish to speak on this subject? I believe he have a card from Mr. Wall.

>> This program, this is illusory, taking far afield. Poor people are poor for a reason. Not due to anybody in this room's fault. Some people just can never afford to live here, period. By subsidizing their home purchases, this is another step for irresponsibility, for their inability to maintain their debt structure is as foreseeable as homelessness itself. The only developers and financial institutions, who guarantees these loans? It's the taxpayers that have to guarantee them. In reference to this pathetic group of properties that was put forth today, they're out of compliance with probably earthquake, had he should be bulldozed, period. The city has inability to keep libraries open. Now you want to increase debt. The redevelopment agency is getting ready to restructure their debt, for what, insustainability, there are no jobs for these people period. Why you don't talk about this and have people in the housing department on payroll which I'm on record to eliminate that department, within structure of federal, our law. It's irresponsible because you can't pay for it. And thank you. As far as single family homes, you can't even deal with the garbage issue, Sam. Multifamilies living in one family issue, here in this neighborhood that you're mentioning, that whole section of town should never have been allowed to develop that way to begin with. It's sustainability, you all talk about the environment, and yet you do nothing to promote the environment. Thank you.

>> Councilmember Pyle: Thank you and for that I need a motion for approval. All those in favor, that's unanimous. Thank you very much for that. With that one of my favorite subjects, the biocenter expansion. Julie and Nancy. Julie is making the presence.

>> Good afternoon, committee members, I'm Julie Amato, redevelopment agency, want to update you on the biocenter expansion and the Bio pilot initiative. I wanted to give you an update on what's happening at the biocenter. The good news is despite the recession we're now in the biocenter is currently fully occupied. We have 22 tenant companies there right now and in fact I believe in the past two weeks, Melinda Richter, the executive director of the biocenter and her team have actually signed on three more tenant companies. Despite what is going on in the overall economy, things are going well at the biocenter. Another trend at the biocenter is that we've seen more interest in the facility from not just life science companies but from other science based companies that can have a need for those kinds of

laboratories as well as research equipment. So right now, we have three Clean Tech companies at that time center as well as life science companies. So that's been exciting development and new trend. In addition to the 22 tenants, there are 14 affiliate companies, these are companies that access the facilities of the center. The center is located in a 62,000 square foot building. We began working with the property other than on an expansion of the facility to the first floor are that building. By expanding to the first floor, we'll double the square footage of what we have today, and take on the lease of the entire building. So the expansion is roughly 33,000 plus square feet. We will be building out primarily lab suites that will be larger than what's on the second floor so they will range from about 2,000 square foot up to potentially 12,000 or so square feet. Depends on how we want to configure the space, so more companies will go into smaller spaces, you have fewer companies that could go into larger spaces. We are moving forward with a design that is very flexible that will allow companies to grow or shrink as needed. In addition we're going to put in another shared chemicals lab and a radioisotope facility on the second floor. On board some design consultants of our own. These include cornberg associates which was the original designer for the second floor of the building, affiliated engineers which is an engineering firm that specializes in health care facilities, and Melinda's firm, and currently mission West properties is finishing the bid set for the drawings, as the contractor for this property, a little over a month from now we would expect to have that information. We are also right now started discussions with mission west about the terms of the lease. They've also offered us some financing terms as well. So we're in the midst of working that out as we speak. Moving on to the biomanufacturing initiative, as you may recall, about a year ago, we completed a market study. We brought on a consultant to help us understand the demand for biologics contracting here in the Bay Area. We wanted to hone in on what early stage companies might need in terms of small scale product development, could help them eventually ramp up into commercial production. As you could imagine given the large number of biotech companies not only in the South Bay but throughout the Bay Area, there is a lot of interest in this type of facility, and of course throughout the Bay Area we heard that San José would be a good location for that. At that time, we -- the time we did that study we also scoped out a few sort of project alternatives that would range from a very small production facility in the biocenter itself to a large regulated stand alone center. We have met with global manufacturers located in the United States and outside the country that have expressed interest in doing something with the redevelopment agency. We have hosted a tour of the redevelopment areas of the center, introduction to the companies of the biocenter. They've also responded to a larger manufacturer which may have an interest in locating a project here as well as a smaller company that may want to do something at the biocenter. We've learned, since the fall, talking through, excuse me, talking to some of these manufacturers as well as other industry contacts, that because of what's going on in the economy, there is quite a bit of excess, worldwide, so particularly the larger manufacturers are approaching any expansion right now very cautiously. So our understanding, a lot of these expansions have been put on hold sort of pending whatever happens in the future. So that said, we're going to continue to talk to the interested parties that we're working with today, and we are hopeful that within the next year or so we might be able to bring forward a project for the board's consideration.

>> Councilmember Pyle: Ash, this is your business.

>> Councilmember Kalra: I just wanted to thank Linda, I did have an opportunity to get a tour of the biocenter. I think it's fantastic that we're doing the expansion. In fact I'm going to be out there twice in the next two or three weeks, you're going to get tired of me. I'm going to be out there a lot. There's always a lot more we can do in terms of marketing the biocenter and I certainly will take on that challenge as being one of your sales reps as far as I'm concerned. A lot of times when I explain the concept and talk to folks bit they just don't know it's there. Of course since you can't reach everybody, we don't have the marketing budget we'd like to have obviously as a city or even in terms of economic development. So I really like what's happening out there, I think it's a good time to start to pick up a little more aggressive marketing with the expansion coming because the concept is great and when I was there and I spoke with Guy Miller from Edison pharmaceutical, I wish we had a videotape when he was talking, I'm sure he can do it again knowing him. But just the amount of money that they saved by having the opportunity to locate in the biocenter and expand in the biocenter, I think it was great. Even the startups, new companies there talking about how much easier it is to convince VCs to invest, putting it solely into R&D. I think it would be great, I think it's great that we're looking into doing, I think it would be great to have it at Edenvale, especially where there's no market for a larger facility right now, there could be synergy with the biocenter. Do you know in talking to other companies, the contract manufacturers around the world if

these kinds of facilities can be made in such a manner similar to the biocenter where they could be facing expansion in a way that makes sense? Has that been discussed as well with some of them?

>> Absolutely, that is something that manufacturers can do and in fact they have done. We have talked to among the group of people that we've talked to some them have done just that with their facilities elsewhere, starting small and then growing either into adjacent buildings or actually building more infrastructure so they could expand.

>> City Attorney Doyle: I think that that would be an ideal situation, especially when the economy, plans for different scale of the kind of facility. And to allow that, as the economy turns around, as the market improves, to be in a position to move on it very quickly, because I think that's going to be key especially retaining some of the companies that we are helping to nurture. Because that is a concern with this sort of facility, all of us have I know I have being able to keep that company here just don't foster them to the point where they are about to come this major corporation and they leave and find some other place to go to that's cheaper, more convenient. If we can give them the facilities, to allow them to manufacture here, stay here have some presence here out into the future.

>> Right. We've talked to some manufacturers who have interest in doing just that. In other words, starting out with something small here as a way for them to also test the market, understand the market and then grow from there. So we know that there are companies that are interested in doing that and willing to do that.

>> Councilmember Kalra: Thank you.

>> Councilmember Herrera: I think it's great and I love having the biocenter in Edenvale, neighbors to the Evergreen area and want to fill it all up and have these companies grow and when they need to expand they can expand over into the industrial area in Evergreen. I think this is great. Keep moving forward.

>> Councilmember Pyle: That's a great idea. They wouldn't even have to get on the freeway. .

>> Councilmember Herrera: Had have a place for them.

>> Councilmember Pyle: I thank Melinda, I know you've made a lot of trips to facilitate this, you've done marketing not only through the Website but business journal, global fluency, monthly seminars for industry, are there others I don't have that you might want to add? Julie can you think of others?

>> I know we've had adds on KLIV as well.

>> Councilmember Pyle: That's right, the announcement, absolutely. So with that, I think if there are no members of the audience wishing to speak on this subject -- it looks like there are not -- I need a motion for approval. All those in favor and we're ready to move on. Thank you very much, Julie, appreciated that. Okay, we're ready for the last but certainly not the least, here we are back with Nancy. You our busy lady. Special tenant improvement and industrial tool program.

>> Chair, members of the committee, two strong notes with the biocenter and also the update on the special tenant improvement program and the industrial tool installation program. Wanted to bring to your attention, some of you may not be familiar, the special tenant improvement program has created a regional and in fact not only California but national model for how government, good government, relates with property owners and with tenants. Basically the way the program works is, a developer or tenant will bring their whole team, HVAC and all plans, and get approved on site. Some of the programs the company runs are stellar, and this is one of them. Couple of highlights from the report, since its inception there's about 9.2 million square feet of space that has gone through this and we are approaching 15,000 jobs that have been retained or added. One particular high note would be that in April 2008, because of our economic situation, there had been financial incentives as a part of this program. Those were let go. But the participation in the program, even though there are not the financial advantages remains as strong. In fact it's ticking upward. Now, the construction valuation over this last bit of term is down, as a reflection of the economy. But the participation from companies, developers, tenants coming in to participate is actually exceeding and accelerating in its use of the program. The installation tool program, ITI, came about because of a need that Ru and myself and others in the building department came that KLA 10core, Hitachi, often took months to get something very complex running, to bring everything together to get that piece of machinery into works, there had been since early 2007, over 500 permits and the permits have expanded from large scale tools to large scale solar, even solar cells or communication cells as well as tool and dye. Extremely, extremely positive. And just to mention, the thing that really, really makes this work, just to be very pointed, is Ed Tolentino and his team. The fact that the rest of us work with him from the agency from planning and building, Dave Schoonover's shop, Ed cleared his calendar on a day to meet with the company and resolved issues that really it would take from his level to

do it. And there's many examples just like that from nanosolar and other issues where your staff is extremely good at what they do and producing great results. If you have any questions Ed is here to address them and as a team, we often work on the memos to lessen the load on the building department.

>> Councilmember Pyle: This sounds like a dream team. Any questions, Sam?

>> Councilmember Liccardo: This is a wonderful program, thank you, thank you Ed. I appreciate the effort here to try consolidate a lot of different viewpoints into one room, and bring everybody to the table at the same time. I know you hear the horror stories as we do as this inspector told me X and the next inspector told me Y and I'm just trying to get a straight story from the city. In particular, I know there has been a challenge from fire having a different opinion than what the building officials are giving up. I wonder if there are any, if there is any desire within city management structure to start thinking about whether or not the fire inspector ought to be reporting to the director of building planning and code enforcement so that there's a single voice on building issues rather than having a lot of different department heads having different views.

>> Paul Krutko: Well, that's an interesting objection, Councilmember Liccardo. I can certainly take that back and have a look at it. I don't know if there's been active consideration. What we do very much, are very much engaged in is significant collaboration at the desk at the counter level among the staff to make sure we are taking care of, I would hasten to say 90 to 95% of the issues, whether they would need to be resolved. I would certainly echo Nancy's viewpoint that Dave is a tremendous resource and has helped us deliver many, many times. But I think that you know, there is a -- I think -- we'll investigate it, I mean there is a reason why we have a fire marshal and I think it's under state law and Ed will correct me if I'm wrong. So I don't know if you can make the fire marshal subordinate to anybody but the chief. Ed do you have anything else you want to add?

>> I've been working closely with Dave Schoonover.

>> Councilmember Liccardo: This is not the shot at Dave, that was not my intention to do that. I'm sorry, Ed.

>> Whenever we have issues on the workload, we try to resolve it as much as we can, with the staff we have. And Dave has been having problems with his -- with maintaining his staff. He's got a lot of turnovers. And I think that has impacted his -- you know, how he delivers the service, the old time art of the service delivery.

>> Paul Krutko: I think particularly with these two programs, which is a special and unique level of service, that we would very much like to have the capacity to extend across all of our review and permitting processes. But that ability just isn't there. This is a program, these programs are at a place where clients are willing to pay for that level of coordinated service. So we are always looking for process improvements. We'll certainly take that suggestion back, and see if there's anything that is there that we could take a look at.

>> Councilmember Liccardo: And just so I can clarify again, when I say it's not about Dave, Dave is going to be retiring soon, and there's going to be someone who fills his position. It's not about Dave. It's a question of, really, the process. And I spent a few days ago some time with an affordable housing developer who discussed conflicting signals he was getting from different departments. One concern was we're trying to build a development here that is an urban development and we have a suburban fire code that is being imposed and there are others that may be imposing more urban fire codes. That is just a suggestion.

>> Councilmember Pyle: Well said. Rose.

>> Councilmember Herrera: I think it's a great program. Sounds like another tool in our tool box to attract companies.

>> Councilmember Pyle: Faster, better, cheaper, not necessarily cheaper to the person, in the long run it would be because of the time saved.

>> Paul Krutko: I think we -- in fact I was fortunate enough to have lunch with our former planning director on Friday, and Steven called it the Federal Express model. If you want to go very fast, if you want to have it all bundled up taking care of, we can bundle it and take care of it.

>> Councilmember Pyle: Thank you very much. With that I need a motion to approve.

>> Councilmember Herrera: Motion to approve.

>> Second.

>> Councilmember Pyle: All in favor, aye. It's unanimous. We have it to the open forum. We have someone -- I wonder who that is. Come on down, David.

>> I think at any point in the program you should have some real solutions to what you have here in the city that you can benefit from economically. One is sustainable agriculture. Now, there's a lot of poor people that we've previously discussed. They're good at growing things such as food. Micro-loans is something that's been in vogue for the past few years, and people have gotten Nobel prizes over it. That has not been discussed by this great brain trust that we have in financial Planning. Another issue we've had downtown that's been overlooked for a long time is a music is a San José resource. And how you can capture these bands and try to figure out some formulation to where the city can gain some type of real property interest in their performances for resale. Like a recording studio which I've talked before. And then of course there's one area that really levels the playing field, makes everybody just love to be an equal participating member, and property ownership and love this city to the hilt, and that's the equality in being able to say yeah, I pay my taxes, fair share of taxes. So we reformulate parcel taxes. No more sliding scales for town homes or how they reclassify homes, multilevel dwellings, in relation to poor little property owners or single family homeowners that have to pay the lion's share of all these fees, such as sewer charges and use fees, for example, there's a lot of money here that doesn't cost a lot of much for people so say, hey, we're all equal here in the United States, we all pay our taxes, we all enjoy home ownership. But not at the expense of developers or other modes of housing that does not pay their fair share. So there are three opportunities to raise money here, to stimulate the economy, that none of the high-end city administrators even touched on, primarily because they're not getting paid I guess to look at that. Thank you very much and you run a very nice meeting.

>> Councilmember Pyle: Thank you very much, Mr. Wall. And with that, we're adjourned, thank you for coming.