

Economic Development Strategy

San Jose's first comprehensive Economic Strategy was adopted in Nov. 2003 with progress reported annually



15 Strategic Initiatives

Global Gateway

1. Build a World-Class Airport Facility and Air Services.
2. Forge Connections to Innovation Regions Globally for Mutual Economic Benefit.

Creative Community

3. Develop Strategic Partnerships with San Jose State and Other Universities to Drive Innovation and Economic Impact.
4. Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley.

15 Strategic Initiatives

Entrepreneurial Environment

5. Support Start-Up and Growth of Local Businesses, Small and Large, in Tech as well as Non-tech Fields.
6. Improve Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating in San Jose.

Tech-Savvy City

7. Make San Jose a Tech-Savvy City; Lead the Way in Using Technology to Improve Daily Life.

Place of Opportunity

8. Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs.
9. Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning.

15 Strategic Initiatives

World's Most Livable Big City

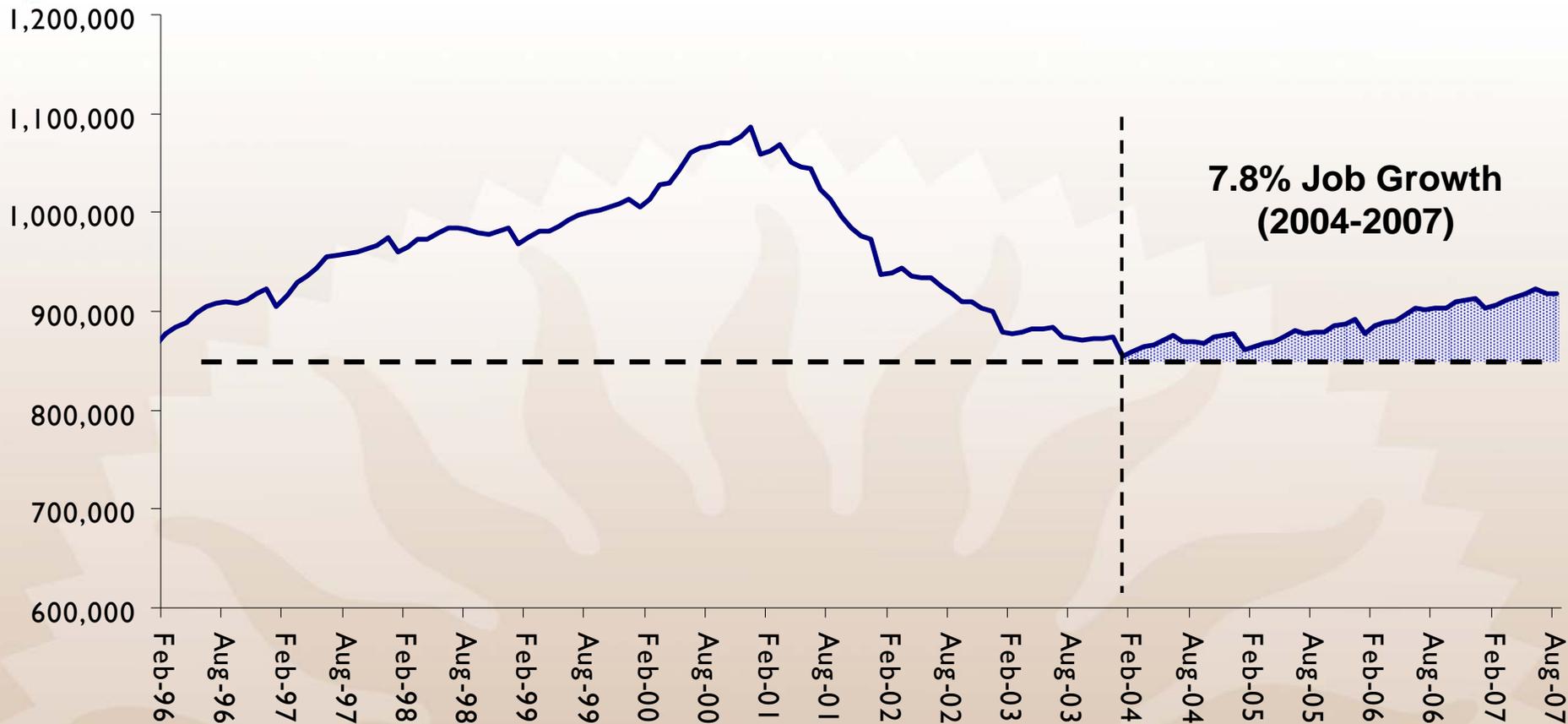
10. Continue Emphasis on Developing New Housing, Including New Housing Types in a Variety of Neighborhood Settings.
11. Revise Key Land Use and Transportation Policies to Reflect the New Realities of the San Jose Economy.
12. Encourage Sporting Teams, Events, and Facilities, Professional as well as Amateur.
13. Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability.

15 Strategic Initiatives

Capital of Silicon Valley

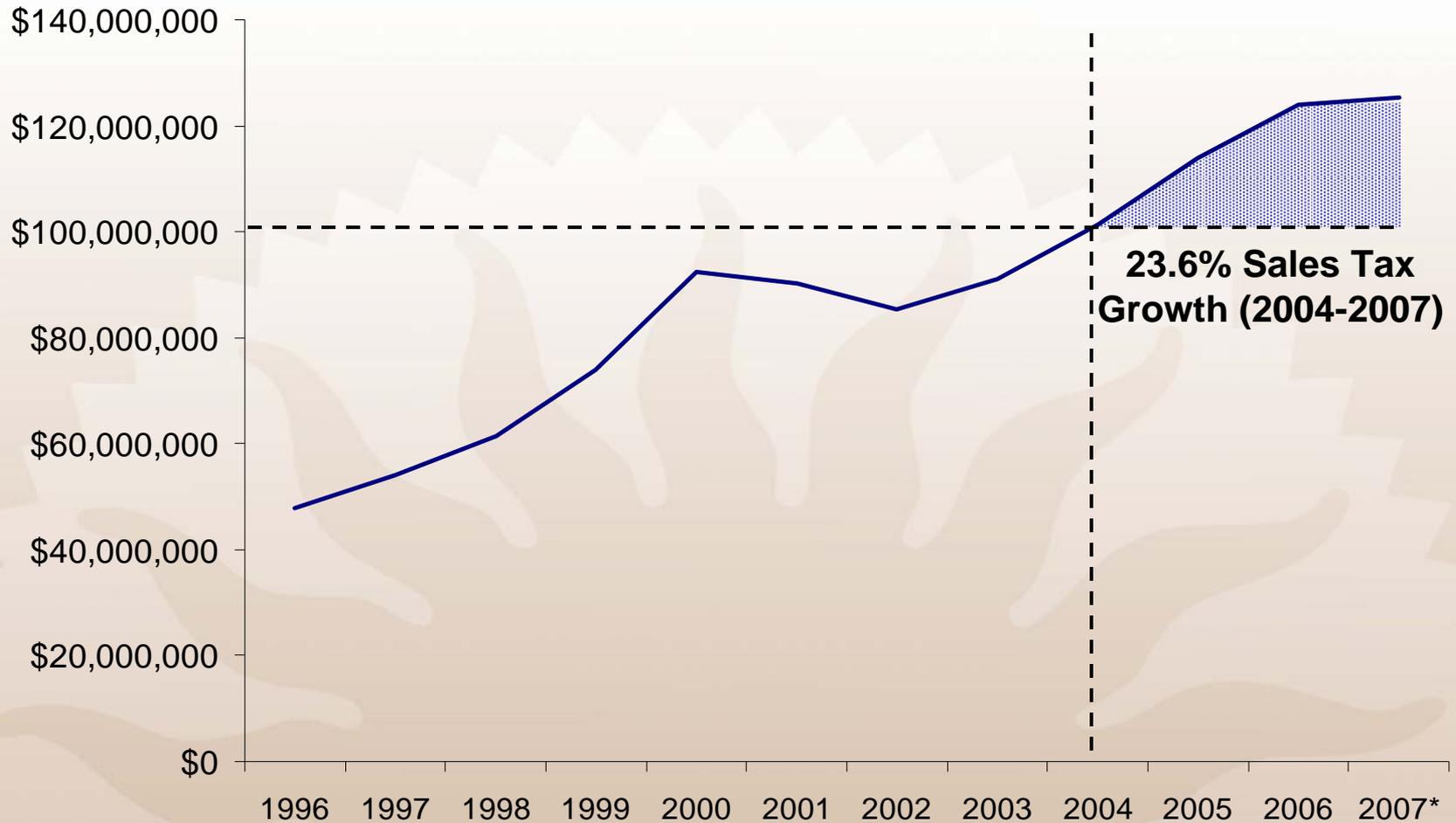
14. Communicate a Compelling, Consistent Community Identity for SJ.
15. Engage Private-Sector Leadership for San Jose's Economic Strategy.

Economic Recovery: Stable Job Growth Since 2004



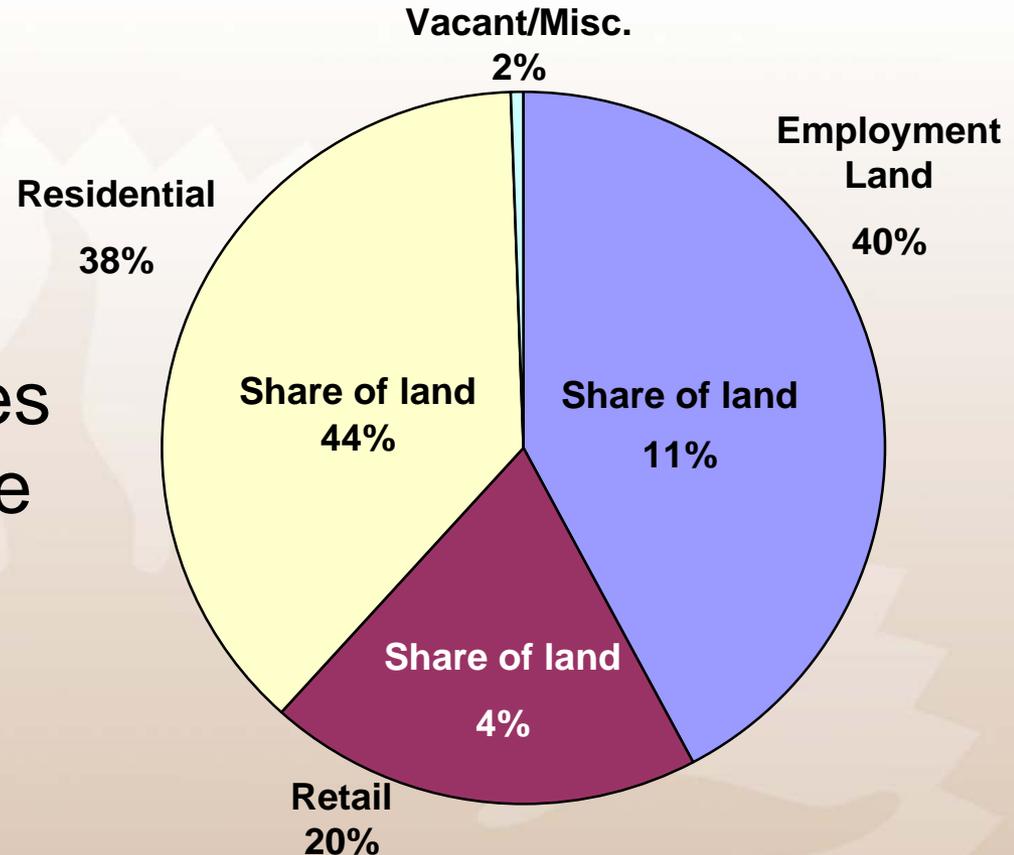
*Total jobs still below 1998 levels

Economic Recovery: Sales Tax Growth Since 2002



Importance of Employment Lands to City Revenues

Employment lands contribute 60% of revenues from 15% of the land base



*City and Agency Revenue Included: Property Tax, TIF, TOT, Sales Tax, Utility Tax, Gaming Tax

Highest Revenue Impact: Retail Development

- Expanded Retail Attraction Efforts: Anchor Retail Facilitation, Shopping Center Expansion, Auto Row Strategy



Westfield
Valley Fair
Expansion



San Jose Market Center

Retail Development Challenges

- Lack of available sites (4% of land dedicated to retail)
- Community resistance to large-format tenants
- Limited dedication of resources slows projects through development process
- Policy decisions choosing residential over retail (Modern Ice, Fox & Markovits)
- Only 1% of 8.25% sales tax rate goes to SJ

How to Close a \$25M budget shortfall

- Build 5 Valley Fair Malls (250 acres)
- Build 10 Oakridge malls (500 acres)
- Build 10 Santana Rows (400 acres)
- Build 4 Capitol Auto Rows
- 5 Large format retailers equals the same tax generation of all 9 RDA NBD districts combined
- One Santana Row equals the same sales tax generation of the Downtown Core RDA area
- 2 large format retailers equals the same sales tax generation of San Jose's 50 largest sales tax generating restaurants

Sales Tax from Recent Projects

Sales Tax Analysis of Existing Sites

	<u>Annual Average</u>
Big Box Retailer	\$1,000,000
Santana Row	\$2,500,000
Automobile Row	\$5,000,000
Valley Fair	\$5,000,000
Eastridge	\$2,000,000
Oakridge	\$2,500,000
Downtown (RDA Core)	\$2,500,000
	<u><u>\$20,500,000</u></u>

Recent Additions 2007

Big box retailer	\$1,000,000
The Plant (Curtner)	\$1,125,000
Market Center (Coleman)	\$750,000
Foxworthy & Meridian	\$150,000
	<u><u>\$3,025,000</u></u>

Potential Sales Tax from Future Projects

Pipeline Sites

	Estimate
3 Car Dealers	\$1,000,000
Santana Row Expansion	\$1,000,000
Valley Fair Expansion	\$2,500,000
FMC-Airport West	\$75,000
Palm (HWY 237/ 1st)	\$1,500,000
Arcadia (Coleman Site)	\$575,000
IBM (Poughkeepsie)	\$475,000
	<u>\$7,125,000</u>

Possible Development Sites

	Estimate
Creekside Property (880/Brokaw)	\$1,000,000
Arcadia (85/Almaden)	\$3,000,000
Zanker/237	\$1,500,000
O'toole	\$350,000
Flea Market	\$475,000
iStar	\$650,000
Capitol/Berryessa	\$600,000
Capitol/Monterey	\$1,125,000
Arcadia (Evergreen)	\$750,000
Cisco (237/1st)	\$475,000
	<u>\$9,925,000</u>

Sales Tax from Possible Development Sites **\$17,050,000**

Possible Property Tax from Development Sites \$4,872,000

Possible Utility Tax from Development Sites \$1,493,000

Total Revenue From Retail Development **\$23,415,000**

City Revenues from Driving Industry Companies Primarily from Property Tax

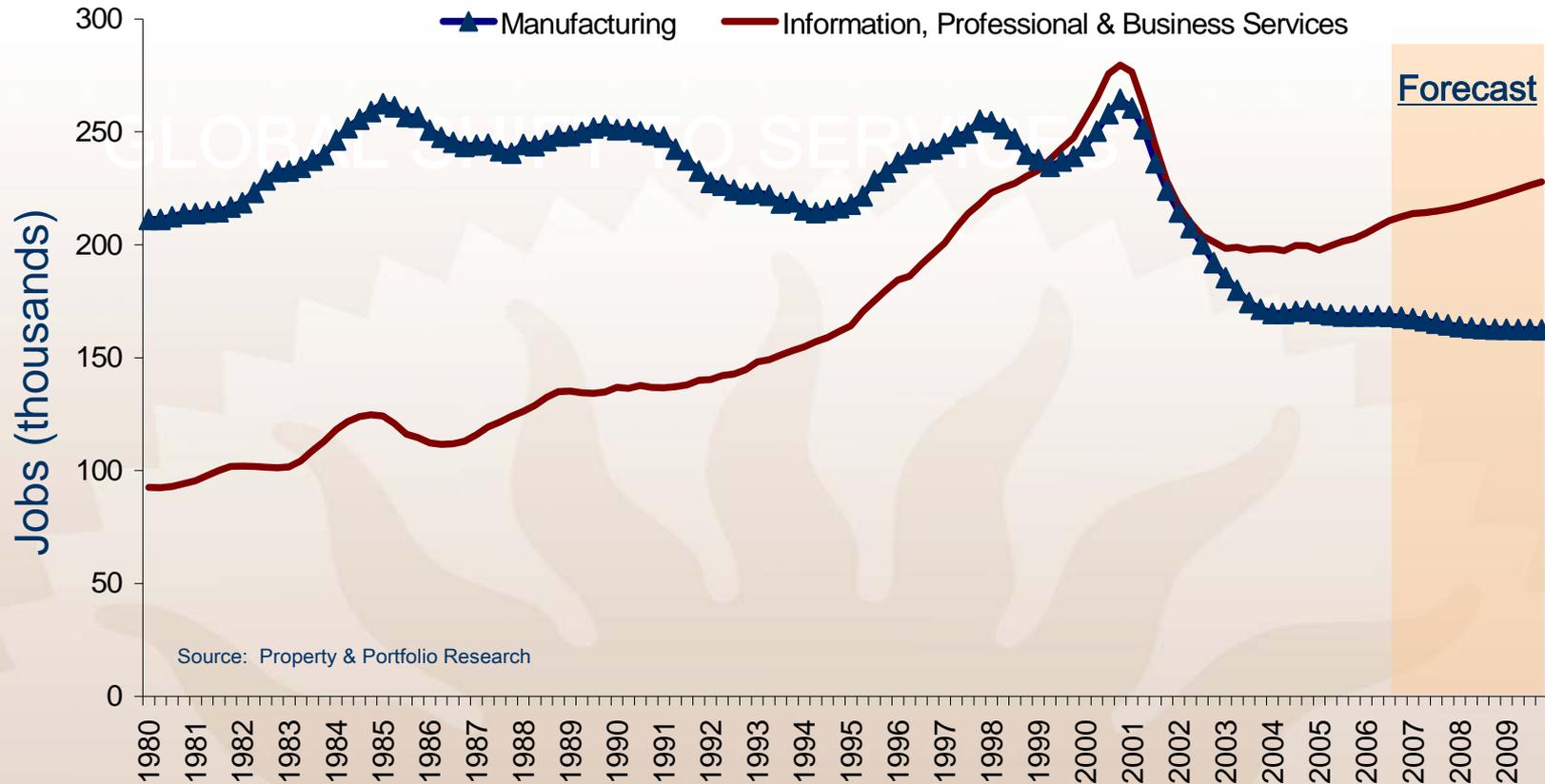
Average Hi-Tech Company

	<u>Average</u>
Sales Tax	\$55,000
Property Tax	\$1,609,000
Utility Tax	\$117,000
Total	<u>\$1,781,000</u>

Setting the Stage for Significant Property Tax Generation

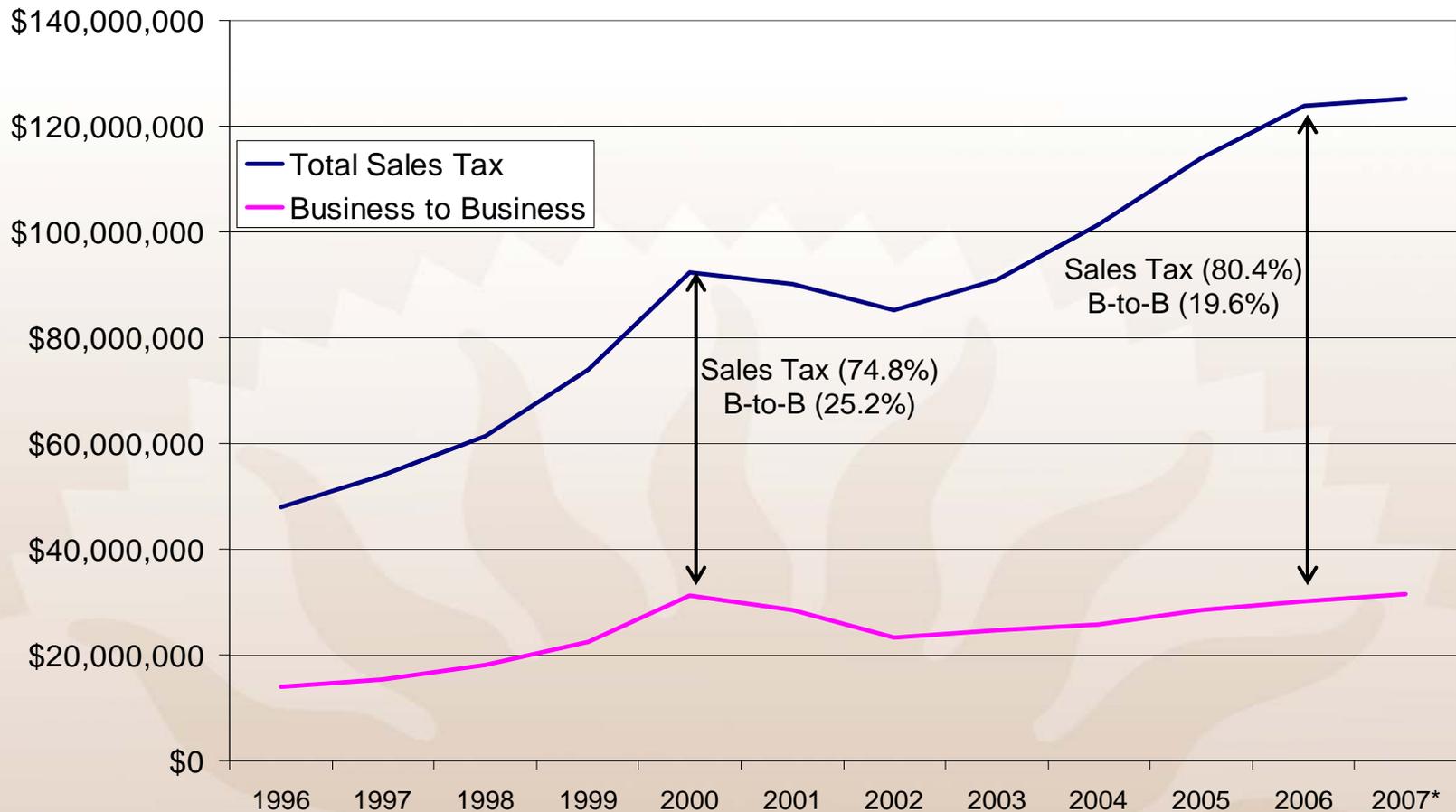
- North San Jose transformation (limited revenues to General Fund; projected \$350M annually to SJRA)
- Employment Land Framework to preserve job/revenue generating land
- Headquarters expansions: eBay, Adobe, Cadence, BEA
- Purchase of FMC property—proposed \$1.5B investment

Fundamental Problem: Growing Disconnect Between Economic Activity & City Revenue Base



Increasingly, growth in jobs and business spending does not generate GF revenue for local government

Revenue Impacts of Changing Economy



Examples: Cisco, Cadence Design, Lumileds, Stryker, Ecolab, Tivo, SunPower, Pivot Interiors, Hitachi, KLA tencor, Sal Acosta Sheet Metal

Citywide Economic Development Function

- Chief Development Officer and 9 professionals
- .3% of GF budget dedicated to revenue generation
- Broad portfolio of directives:
 - Development facilitation
 - Small business support
 - Cost-benefit analysis
 - Downtown small wonders
 - Cultural Institutions
 - Workforce development
 - International Business Development
 - Retail development
 - Green Vision
 - Signature events
 - Soccer stadium
 - SJSU
 - Air service attraction

Conclusion

- Revenues and jobs are growing in SJ since 2004
- Economic development efforts alone cannot solve the city's structural deficit problem, though we can move the needle on sales tax and property tax for SJRA
- A key issue for San Jose is changing the revenue sources available to local government so they align with job growth, spending growth, and population growth