



BUILDING STRONG NEIGHBORHOODS COMMITTEE

Meeting Report
February 5, 2004

PRESENT: Chair Cindy Chavez, Councilmember Ken Yeager

STAFF: Jim Holgersson, City Manager's Office; John Weis, Kip Harkness, San Jose Redevelopment Agency; Paul Krutko, Office of Economic Development; Sara Hensley, Cynthia Bojorquez, PRNS; Avo Makedissian, Mayor's Office; Norm Sato, City Attorney's Office.

The meeting convened at 1:40 p.m.

Chairperson Chavez advised that the meeting would have to end at 3:00 p.m. due to another meeting which requires her attendance.

a. Discussion of Neighborhood Business Districts/Neighborhood Retail/Workforce Investment Network (Office of Economic Development/San Jose Redevelopment Agency)

John Weis said that the this report is the result of questions asked when he was here previously and discussed a presentation he had made to the Driving a Strong Economy Committee that talked about the amount of Agency investment that had been made in Neighborhood Business Districts over the last 12-14 years. This report answers those questions. The summary on page 2 of this report found a remarkable \$2,250,000 a year, a 147% increase, in sales tax revenues in all of the NBD's on an annualized basis. From the time that each of the NBD's was founded, on a cumulative basis, the number of firms in the neighborhood business districts has gone up by 49% and the number of employees has gone up by 35%. The property tax revenues annual, which are not tax increment revenues but are normal tax revenues that come at the level of 13%, are at \$10.8 million per year. The most significant information was that 4,429 dwelling units have been built in or adjacent to all of the Neighborhood Business Districts, with Japantown and Alum Rock leading the way. The total investment uses a conservative estimate of \$150,000 per unit for a rental unit and \$400,000 for a sale unit. In addition, there has been substantial new commercial development. The most significant are the Gordon Biersch Factory near Japantown and the retention of Orchard Supply Hardware on Alum Rock. Cumulatively, those kinds of projects add up to close to \$90 million. So, the total investment is \$1.2 billion, including both the

dwelling and commercial units. In addition to the Agency's investment of \$209 million, where you see a ratio of about 5:1 in terms of return on the Agency's investment, the Housing Department also has invested \$90.6 million in or adjacent to the Neighborhood Business Districts over the last decade as well. That is the past investment. Also in this memo is a quick summary of the kinds of programs and projects that have been funded in the Strong Neighborhood Initiatives.

The rather successful retail recruitment program that we have in downtown is focused on Agency owned property. We want to see how we can expand that to the neighborhood business districts. However, that is not an easy thing to do because there is not a lot of vacancy, so we don't have an enormous amount of opportunity for immediate turnover. But we do have opportunities where property owners are willing to re-energize their store, invest in it, put in tenant improvements and try to get a new tenant. Most of the property owners that we deal with are not the kind who would go to a major retail recruitment effort. Here is where the opportunities will come. We put a group together which is a combination of OED, Agency personnel who work downtown, and Agency personnel who work in the neighborhoods. This group will analyze opportunity areas in the business districts and in downtown, and then bring potential tenants to these opportunity sites. The other part of this is how we work with OED on areas that are outside of redevelopment. A study that was recently concluded found that the City is suffering about a 20% leakage. We need to look at where that leakage occurs, see if we have opportunity sites there, match up potential owners who are willing to work with us and then bring in tenants from the outside. The staffs are already working together on a program, which includes marketing packets for each Neighborhood Business District. These packets would be distributed to various brokers to show them opportunities in the Neighborhood Business Districts. This is a long-term process. We need to set goals for how much we want to decrease the leakage and by what date.

Paul Krutko said that the retail entity looking to find a location in San Jose doesn't care that there are redevelopment areas or Neighborhood Business Districts. They care about what the opportunity is for their company to be successful in marketing products to residents of San Jose. That is why working as an inter-departmental team to meet that opportunity is the way to approach this. The key element is to develop retail to full potential, maximize revenue impact and neighborhood livability. The team is putting together a workplan to advance that. We need to have a performance metric, and the metric needs to be how we are impacting the fact that San Jose consumer sales are 20% less than San Jose consumer spending, which has been described as "leakage". We are not meeting our consumers' needs. It is a benefit to our residents for us to seek out retail activity that they want to patronize.

Mr. Weis said that everyone's comment about Santana Row is that it is a very special place. Retail environments need that "specialness" to attract consumers. We need to always have high design standards and to encourage developers and property owners to create something, which is special for the adjacent neighborhood.

Jim Holgersson said this is a great opportunity to bring Building Strong Neighborhoods together with Getting Families Back to Work, as well as through One Voice. We are

looking to hear from the Committee if we are headed in the right direction with this, and what else should be part of our focus and goal, as we move in to addressing the budget process and bringing limited resources to the priorities.

Councilmember Yeager said that he thinks there is so much potential here for the City and for the neighborhoods and he is glad to see the two agencies, OED and RDA, working together so that we can get more businesses to come in.

Mr. Krutko said that sometimes it is about infrastructure as well. Someone might not put a store in a particular location if they do not have adequate parking available. For example, the City worked to get access to the Bank of America's lot on Lincoln Avenue in order to attract businesses there.

Councilmember Yeager said that he was involved with the activities on Lincoln Avenue, and he feels that the City is doing something there that can be a prototype. A lot of the Business Districts have problems with parking and he hopes this is a model that can be used in other Business Districts. He said there is another problem of under utilized retail. In a lot of the Business Districts, there are too many of the same type of stores and none of them are doing very well. The City needs to be aggressive with the owners and suggest putting in a different kind of store.

Mr. Krutko said that this is something that is very challenging. Sometimes you run into a situation where there is a strip center that was developed in the late 1950's, and one of the original owners is now partnered with the children of the other owner. The older owner is happy with the rent he is collecting and is not interested in investing money in the property and taking risks, but the younger owner is.

Mr. Weis said that succession in strip centers is the single most difficult problem we face. Sometimes we have been successful by spending an extraordinary amount of time explaining the benefits of change, but sometimes we have to give up and wait for the younger generation to take over.

Councilmember Yeager said that the City Council has approved a couple of new projects, which will have a retail element--the Fiesta Bowl and the new building at Meridian and West San Carlos. He was wondering if anyone has talked to these people in advance about their ideas for retail rather than leaving it to chance.

Mr. Weis said that he is not aware of the building at Meridian and West San Carlos. Regarding the other project, they put David Neal in touch with a number of potential retail brokers who worked on the Alameda, so he has used them to incorporate design principals that they wanted to see in the Delmas Park project. We have learned that you cannot simply designate retail in an area without considering the design. It cannot be an afterthought. If it is an afterthought, it will not be successful.

Councilmember Yeager congratulated everyone who was involved with the work done on both the Alameda and West San Carlos in the last five years. Both areas are now very vibrant and exciting and look very good.

Chairperson Chavez said she wanted lay a couple of ideas on the table relating to next steps. From a policy perspective, one of her concerns is the role that retail plays as part of our overall economic development strategy. Her concern is in two different areas. One area is, as we look at the changing economy and recognize that we are continuing to restructure, that we still have a possibility for growth in retail. But we also know that retail jobs do not necessarily pay enough for people to live in the community where they are working. So, one of the things she is interested in as it relates to benchmarks is what role we are going to play in creating career ladders within retail so that it makes sense for us go encourage people to take those jobs and stay in those jobs. She thinks that is linked not only to individual career paths but also to making strong local businesses that then franchise out from here to other parts of the country and the world. We worked really hard to get McCormick & Schmidt and PF Changs to San Jose. She thinks they were very smart investments for the City to make, but it would also be great to export our local businesses. It is also important to understand if we are trying to recruit the kind of companies that create environments for meaningful career paths. Some jobs within retail do allow people to move up and become buyers and work for distributors. There are a lot of careers within retail that make money. She is not concerned just about having entry level jobs. She is concerned about us not thinking through the long-term economic impact. The sales tax is super important, but having people who have health care and all that is also important. We pay for it on the front end or the back end but we still pay for it if the employees do not have health career and all those kinds of issues. From a measurement of how we are doing, she is interested in understanding not only how many jobs we are creating, but also if they are good jobs and are we looking to recruit companies that have meaningful career ladders.

On the issue of leakage, she doesn't know the appropriate goal should be over what period of time, but what troubles her is knowing how to quantify leakage and the kind of rub between new businesses versus old established businesses. She would like to make sure that the team has fleshed that out enough so that, as the business plans continue to be refined, we have appropriate targets and that we know which deals to walk away from and which deals to pursue. She hopes that, as part of our retail strategy, we plan for what we need to happen. Some of her colleagues who saw this on our agenda wanted her to be sure to mention their hopes that we would have very measurable outcomes.

The last area is the whole issue around "big box". There were two items on the City Council Agenda recently that made her think a lot about the future of the City as it relates to "big box". One of the key issues is that a lot of the folks on the Council were excited about this opportunity, seeing it as helping businesses be successful and thrive. But some of the small business owner attended the Council meeting and said that the Lowe's development would put them out of business. There are a lot of implications to that policy initiative. She is nervous about not thinking through some of the issues before they come to us. Lowe's is the only way we think about "big box" but we also have a lot of small folks saying that they are going to be out of business. She does not know the answer to it. There is the bigger issue

about what we are trying to accomplish with our economic development strategy, how that links to our land use, and how that links to the issues raised earlier about design. Those are the items that she will be looking for when this comes back to the Committee over time.

The Committee could not accept the report because they did not have a quorum, but they expressed their gratitude for the presentation.

b. Strong Neighborhoods Initiative – SNI Business Plan (Parks, Recreation and Neighborhood Services/San Jose Redevelopment Agency)

Jim Holgersson said that he and John Weis will speak from the Business Plan itself, lay out the components and critical issues, and then move into the discussion. He said this Business Plan cuts across the CSA's in terms of identifying the priorities and outcomes, which we are looking to go toward next year. Then, as we work through the budget process, identify resources to make that happen. The purpose today is to make sure that we are on track and moving in the right direction. In talking with Councilmember Chirco, it was very important to her that we talk about Strong Neighborhoods as a citywide effort, and that the Strong Neighborhood Initiative itself is focused on the 21 neighborhood areas. That this is really about building strong neighborhoods anywhere in the community. Basically, there are three themes. The first theme is about the building of the community itself. Building Strong Neighborhoods is about the shared vision, about how we can bring together the community in the neighborhood, with the resources that are available in the neighborhood and others to be identified, to build a better quality of life in each of the neighborhoods. The second theme is building a strong economy. As we talked about earlier, Building Strong Neighborhoods can, in fact, link with Getting Families Back to Work, especially at the NBD level, working to build on the small businesses that are in the neighborhoods. The third theme is sustainability--creating an ongoing process where we continue to engage the community in the neighborhoods to come together and improve the quality of life.

John Weis spoke on the three outcomes that are listed on the first page of the Business Plan: Deliver Neighborhood Priorities, Deliver Effective Neighborhood Services, and Develop Community Leadership. What we want to do now is walk through each of these major outcomes on which we have been focusing our resources. Delivering the projects is obviously one of the major things. We have distilled that further into three sub-areas: New Parks and Neighborhood Centers, Vital Business Districts, and Safer and More Attractive Residential Streets. New Parks and Neighborhood Centers constitute a substantial amount of the investment and the priorities in the SNI--34 of the priorities are either parks or neighborhood centers, encompassing \$27.7 million. Those that are moving forward are those that were clearly defined in the early process. Those that are being worked on are areas where no site had been identified and no program had been identified for the facility. In those situations, Agency staff is working with PRNS and DPW and others to develop the program. Once the program can be defined, then we can have a better sense of how much the project will cost; and once we know the cost of the project, and identify the site, then we can move forward with the project. There are a number of projects that are already moving forward and will be done this year. In the Business Districts, because of our experience over

time in doing these projects, we have four or five streetscape projects that will happen this year. Also, there are about 13 neighborhoods that have small pockets of business structures that want facade programs, and we are moving forward with them as well. There are a couple of areas that have opportunity sites, in which we are working with the owners to improve their property. That is generally how we are proceeding in the Business Districts. In the area of Safer and More Attractive Residential Streets, the things that come to mind are the numerous neighborhoods that have either street lighting or traffic calming as their top priorities, and we are moving forward with \$22 million worth of those. The next page of the report shows the performance measures that we have that we picked from other CSA's that we will attach to the SNI CSA to judge how we are delivering our CIP projects.

The second outcome is Effective Delivery of City Services. In this outcome, there are four areas that we are talking about: Rehabilitated Housing, Cleaner Neighborhoods, Safer and More Attractive Residential Streets, and Business Districts, from a service point of view. In the area of rehabilitated housing, the Agency is investing \$3 million over the next few years and has expanded the program run in the Horace Mann neighborhood into a citywide effort. This is one of our great successes in that we are moving forward not only on single-family homes but also on demonstration projects and on multi family projects. These programs really need to continue because they are the kind of things that, once the investment has been made, the whole street seems to pick up psychologically. In the Cleaner Neighborhoods component, we are continuing to fund the Driveway Enforcement Team. Mr. Holgersson said that it is noteworthy that over 85% of what they do turns out to be voluntary compliance, so that is a positive result of our sweeps.

Councilmember Yeager said that, on the performance by outcomes, there is no list of code violations completed or issued; it is pretty much the perceptions of the residents. He is wondering why that was not included. Mr. Weis said that it is included in the END CSA, but it was not included here yet, but it will be.

Mr. Weis said that in the Safer and More Attractive Residential Streets component, we are again talking about traffic calming and street lighting, which SNI will continue to support. In the Vital Business Districts component, supporting existing businesses will continue to be done as it supplements the capital improvements and capital investments that we are after. So again, the Performance by Outcome is to use these and make sure that these are right. One additional has been pointed out, so we need to make sure that we have all of our performances that are going to be geared toward measuring how we move forward with those outcomes in service delivery.

Mr. Holgersson said the purpose of drawing from the CSA's is because that is how we are organized. The Business Plan for the Strong Neighborhoods basically draws out from each of the CSA's those particular CSA contributions to Strong Neighborhoods and the resource allocations to it. This is a way for us to get a snapshot of what Strong Neighborhoods will be focused on.

Mr. Weis added that the performance measures and strategic goals that are taken from other CSA's will be used as measures of how we are doing on delivery of effective City services.

This is a draft so we need to get comments, like Councilmember Yeager just gave us, to expand this as is appropriate to make sure that we have all the right measurements.

Mr. Weis said that the last outcome is Developing Community Leadership in partnership with residents. The manner in which we express this is really the process that we have done in the last 6 months to a year, in particular the enormous amount of work that staffs have done with the NAC's and the PAC, etc., to work on the various applications that we have made that demonstrate the partnership between Agency funds, City funds, and other funds. The camaraderie that has been developed has been enormous; and a natural kind of leadership has come out of it because, in fact, it has been their process and not ours. So we will continue to do that. The measurements that we have on this have come from a number of areas, mostly the Economic & Neighborhood Development CSA which has as one of their strategic goals to develop capable and connected leaders and strong organizations and to encourage business and community partnerships and to improve customer service to residents.

Mr. Holgersson said that in dealing with the budget issues and considering the limitations on resources and the fact that we have gone from the planning stage to the implementation stage, we have looked at different ways to structure Strong Neighborhoods. We believe that we have come up with a way that will improve our responsiveness and our effectiveness in the delivery of the Strong Neighborhoods mission. We have taken the 21 areas and grouped them into six areas. We are considering organizing it, at this point in time, with a leader in each of these six areas and a number of staff support persons. It will be a smaller size staff, and there are other details we are working on. We are not in a position now to tell you specifically what it is going to look like, but this is the direction we are planning to go. We think that Strong Neighborhoods might be the first One Voice example coming forward.

Mr. Weis said that, in this new organization, we have a core group of six and a group of maybe 12 that support them, and they are a combination of Agency staff and PRNS staff. Then there are maybe 40 or 50 individuals (who are Agency, DPW, DOT, PRNS, and Housing) who are throughout the City working on specific projects. They report up through this group up to Mr. Holgersson and me. We have just gone through a series of meetings where we met with every Project Manager and every Neighborhood Coordinator and gone through every project, to find out where they are, what problems they have, and what can be done to solve the problems. We have instituted this mechanism to drive the projects to insure that they are done, and if they are not done, to understand why they are not done. Then we can communicate that back to the community and go through a second process.

Chairperson Chavez said that, ever since SNI has been established, there has been tension on the City Council between Councilmembers with SNI areas and Councilmembers without. Councilmember Chirco read the SNI Business Plan thoroughly and commented to Chairperson Chavez that this is not really our Strong Neighborhoods Initiative Business Plan. It should be our SNI Business Plan with the initiative being carved out as a sub-group. The issue is not these neighborhoods getting more money, because it is understood that they have to catch up. The issue is whether or not we are recognizing that we have problems in terms of the way the organization responds when someone calls in, irrespective of what

neighborhood they are in, and says they have a problem. We still have a lot of work to do as it relates to our relationship to our community. She is wondering what the staff's thoughts are on the way we have organized ourselves and our business plans.

Mr. Holgersson said that we have always considered Building Strong Neighborhoods from the perspective of starting in these 21 neighborhoods because it was agreed that they had to be brought up to par, but that what we learned in the neighborhoods would be applied city-wide and not be limited to just that geographic area. If you look at the three outcomes, these are clearly things that apply citywide.

Sara Hensley said that she has been involved in this also, and she has always felt that we are all in the business of building strong neighborhoods. The idea is to look at more of a team approach and still have the focus where it needs to be. With a structure in place so we all have some resources to look toward and key people as leads, not necessarily from one particular department, but all of us together addressing issues across the city. If this works the way it can, and it will, it is a seamless situation so that no matter where the effort needs to be mobilized, we all go over there and deal with it. It is about the partnership of making things happen.

Chairperson Chavez said that the document needs to be examined as to whether or not it really addresses our bigger goal. She is very sensitive about how the initiatives get impacted because they have been very under-served and we do not yet have the organization wall-to-wall to respond. Initially, the departments were instructed to re-prioritize projects based on the needs of the neighborhoods and not based on how long they had been on the list. The only department that has done this is PRNS. In every other department, we have had challenges with that. We have not fulfilled our first set of commitments yet, on the service delivery end. But, to not have the two processes working in tandem, we may in the future look back and ask ourselves why we did not do that at the opportune time. This is an opportunity to do two things: (1) go back to the other departments and make sure that they are in fact re-prioritizing those lists the way they were directed to do; and (2) regarding the reorganization, determine where we should be assigning people using the resources we have now. If we do not have a way to benchmark our general interface with our citizens, I think SNI does not meet our original goal to change the culture of the organization that we are in, in terms of our relationship with the community.

Councilmember Yeager said that as he looks at the organizational structure of Project Management, since there is the possibility of so many other departments being involved, he isn't sure how this structure fits in with all the elements that might come in to play.

Ms. Hensley replied that this enhances it. The problem in the past has been having co-leads from two departments and trying to decide who is the leader. All the citizens want is for something to move forward. What we are trying to look at now is the person who is best to be the lead, regardless of department. Also, to remove the layers so that if there is an issue, it can be quickly dealt with. The less bureaucracy we can put in this effort and the more communication to our citizens, the better it will move.

Chairperson Chavez said that one of the challenges for her has been the whole issue of resources. For example, when working on neighborhood X, if we do not get the assistance of a department, we can come to you and get their assistance in that one effort; but it doesn't actually change the way they regularly respond. I remember a department head telling me that it takes x number of days to do a particular action and I knew that it did not take that number of days. The number does not reflect reality. How are you measuring the departments' responsiveness?

Mr. Holgersson said there is a cultural change there. The development of this first Business Plan is a great communication tool and a very strong statement to the whole organization about what we expect relative to Strong Neighborhoods. With the department heads, for example, one of the six major components of their performance on their evaluations has to do with neighborhoods and their department's contribution to neighborhoods.

Chairperson Chavez asked what the process is for letting him know that a particular department has taken the leadership to reorganize their priorities the way they were asked to do. She does not know if the departments are doing that, but she does know that some neighborhoods are not being responded to. Some are, but sometimes she has to get involved. It does not feel different. For her neighborhoods, they don't tell her that they see the difference.

Mr. Holgersson said that the whole organization is not in tune with the priorities, but we have made a lot of significant strides. The process is to establish the goals, push it down as hard as you can on the organization, and then it is a matter of taking it day-by-day, issue-by-issue. Traffic calming is an example of making strides in serving the neighborhoods. We are making progress.

Chairperson Chavez said that means that the way we measure is partly by what gets reported and partly anecdotal.

Mr. Holgersson said that it has been that way in the past. But in the actual budget packages that the City Council will receive there will be specific requirements and specific things that need to be accomplished by the departments that then will be part of the performance of that department. So the tool that we are creating here in this Business Plan will take us to that next step.

Mr. Weis said we have 191 projects and project managers for those projects. We have started that measurement process. Over the next two years, they have the responsibility of delivering projects. They will start reporting on it in this time period, and by the end of this year, we should have a pretty good measure of where they are. He said that the project managers he has met with so far have taken ownership of their projects and are moving forward. How you take that and say it has changed the culture, he does not know.

Ernest Guzman, Chairperson of the SNI PAC who was in the audience, said that he believes that we have achieved cultural change with the community. Folks like him actually have taken what we said and culturally invested themselves and become involved in this process.

The Business Plan refers to citizens as customers, but he said it should be taken one step further and citizens should be called partners. Because that is what we have educated them to become, and that makes them a key component of what this Plan is all about. Regarding the budget situation, when you rely on current resources staying where they are in terms of investing the development of these projects, then you are looking at a real challenge. He said that there needs to be another discussion on the Business Plan draft.

Chairperson Chavez agreed that this item should be put back on the agenda and invited Mr. Guzman to attend that discussion.

The Committee decided to carry over this item to the next Building Strong Neighborhoods Committee Meeting on March 15, 2004.

c. Preliminary discussion on strategy to update Greenprint (Parks, Recreation and Neighborhood Services)

The Committee decided to carry over this item to the next Building Strong Neighborhoods Committee Meeting on March 15, 2004.

d. Trails Update: Discussion of Current Trails Status and Recommended Trail Development (Parks, Recreation and Neighborhood Services)

The Committee decided to carry over this item to the next Building Strong Neighborhoods Committee Meeting on March 15, 2004.

e. Oral Petitions

None.

f. Adjournment

The meeting adjourned at 3:00 p.m.

Cindy Chavez, Chair
Building Strong Neighborhoods Committee