



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Paul Krutko

**SUBJECT:** SEE BELOW

**DATE:** October 4, 2006

Approved

*Deanna Fatur*

Date

*10/6/06*

**SUBJECT: EXTENSION OF THE SPECIAL TENANT IMPROVEMENT PROGRAM**

**COUNCIL DISTRICT:** City-Wide  
**SNI AREA:** N/A

## RECOMMENDATION

- 1) Approval of an Ordinance amending Section 4.46.039.8 of Chapter 4.46 of Title 4 of the San José Municipal Code (SJMC) to extend the period from November 1, 2006 to April 30, 2008, during which the City suspends the collection of Building and Structure Construction Taxes imposed for the construction of special industrial use Research and Development and Office tenant improvements.
- 2) Approval of an Ordinance amending Section 4.46.039.9 of 4.46 of Chapter 4.46 of Title 4 of the San José Municipal Code (SJMC) to extend the period from November 1, 2006 to April 30, 2008, during which the City suspends the collection of Building and Structure Construction Taxes imposed for the construction of office use tenant improvements in the Downtown Core.
- 3) Direct staff to extend the Coordinated Plan Check Review process from November 1, 2006 to April 30, 2008, allowing for plan check fee collection deferral until permit issuance for tenant improvements in vacant office buildings within the Downtown Core and in vacant industrial and research buildings throughout San José.

## OUTCOME

Extension of the Special Tenant Improvement (STI) Program will assist the City with business retention and attraction efforts and enhancing the revenue base. The STI Program is highly regarded by businesses and the development community. Extension of the STI Program supports the direction given by the Economic Development Strategy. In particular the activities of the STI Program align with Strategic Initiative #5 "Support the Start-Up and Growth of Local Businesses, in Tech as well as Non-Tech Fields" and Initiative #6 "Improve Speed and Predictability of Development Review

Process, and Reduce Costs of Operating in San José” to support the vision of an Entrepreneurial Environment.

### **EXECUTIVE SUMMARY**

The STI Program is a highly successful tool utilized by the City to attract, retain and grow businesses in San José. It began in 2002 and has been implemented during three consecutive eighteen (18) month periods: the initial launch, the amended program to include Downtown office space, and a program extension. The STI Program is scheduled to sunset on October 31, 2006. Based on the Program’s successful track record and high customer satisfaction level, staff recommends extending the Program for another eighteen (18) months until April 2008. A summary of STI Program highlights is included below.

- A. The STI Program includes the suspension of the Building and Structures tax, utilizing the Coordinated Plan Check Review process, and the deferral of plan check fees. The STI Program was designed to expedite tenant improvements on vacant buildings to make the space ready earlier for more cost effective occupancy.
- B. The STI Program provides San José with a competitive edge in a real estate market characterized by historic levels of vacancy: 18 million square feet of vacant space spread across the four key sectors of R&D, Office, Industrial and Warehouse.
- C. The number of completed STI projects rose significantly during each period, with a current total of 6.1 million square feet of permitted space spread across 136 projects. These numbers demonstrate that customer satisfaction is high; STI users continue to praise the Program and cite its value when deciding whether to do business in San José.
- D. Since STI’s inception a projected total of 9,750 jobs have been added or retained in the local economy, helping to drive the vitality of other San José businesses, retail, education and cultural venues and strengthen the San José quality of life index.
- E. During the first and second STI periods, the additional revenues gained through sales, property and utility taxes far exceeded the foregone revenue required to implement the Program. Tax revenue derived from projects completed during the third period is not yet fully realized, however staff forecasts the additional revenue to exceed Program costs once again.
- F. Continuation of the STI program has an estimated impact of \$593,000 to the City’s transportation programs. While this impact is acknowledged, on balance, the economic benefits of the STI program are considered to outweigh the transportation impact, particularly during this time as the local economy is continuing to recover.
- G. STI’s consistently high performance helps to advance the core outcomes of the City’s Economic Development Strategy, including the growth and diversification of the San José job base and the increase of City revenues. The continued extension of the STI Program has been discussed during the Council’s annual Getting Families Back to Work Study Sessions. Corporate representatives and developers requested STI Program extension during the Counter to Council work groups in fall 2005.

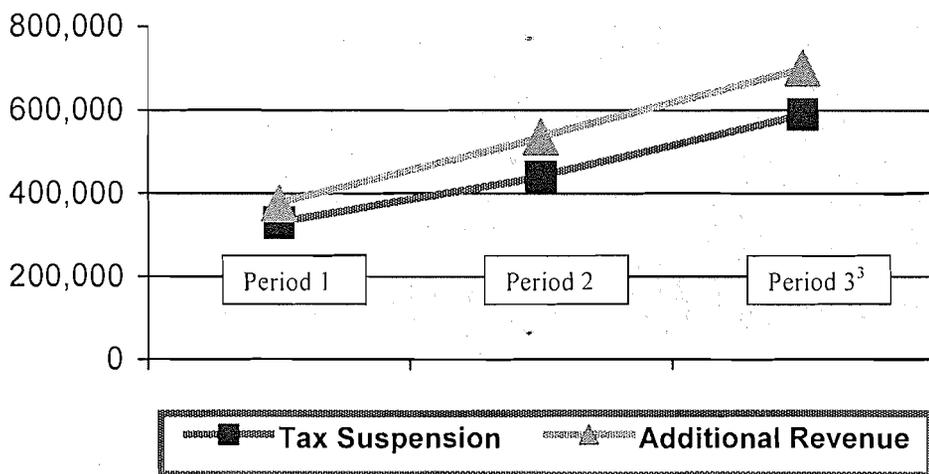
**BACKGROUND**

The City Council approved initiation of the Special Tenant Improvement (STI) Program for an 18-month period beginning on April 30, 2002. Following this period, the City Council approved two 18-month extensions of the program, first, on October 28, 2003 (amending the program to include vacant office buildings in the Downtown Core) and second, on May 17, 2005. The STI Program includes the suspension of the Building and Structures tax, utilizing the Coordinated Plan Check Review process, and the deferral of plan check fees. The STI Program was designed to expedite tenant improvements on vacant buildings to make the space ready earlier for more cost effective occupancy.

The STI Program provides San José with a competitive edge in a real estate market characterized by historic levels of vacancy. As of June 2006, San Jose confronts nearly 18 million square feet of vacant space. This total vacant square footage is spread across four primary sectors: R&D at 10.6 million, Office at 3.9 million, Industrial at 1.8 million, and Warehouse at 1.5 million.<sup>1</sup> Vacancy rates for R&D range from 15.9% in West San José to 24.8% in North San José, west of I-880. Vacancy rates peak at 25.5% for Downtown Office space, 11% for Industrial in South San José, and 12.6% for Warehouse space in North San José.<sup>2</sup>

Since its initiation approximately four years ago, the STI Program has been highly successful and visible. The STI program has been a tool to allow the City to implement an effective method of providing services to the business and development community. A total of 6.1 million square feet of space has been permitted since the inception of the STI Program. A projected total of 9,750 jobs have been added or retained in the local economy since the STI Program's inception.

As depicted in the graph below, the STI Program facilitates a net increase of City revenue.



<sup>1</sup> Source: Colliers International.

<sup>2</sup> Ibid.

<sup>3</sup> Estimated additional revenue based on past STI Program performance.

The success of the program indicates that businesses are responding to the incentive program and that it makes a difference in choosing San José as a place to do business. Part of this success is due to STI’s programmatic agility to effectively work with diverse and changing business needs. Early STI efforts prioritized the attraction of new businesses to San José. However in recent months this focus has evolved to target existing San José business retention and expansion. Developers and businesses appreciate the value added by the STI Program and continue to praise its speed, efficiency, and cost effectiveness.

The current end date for the STI Program is October 31, 2006. The elimination of the Program would be detrimental to the City’s retention and attraction efforts. Staff strongly recommends a third extension to the current program for an additional 18-month period to April 30, 2008.

**ANALYSIS**

Past Performance

The STI Program has been successful in achieving its key objective: to make San José more competitive as a place to do business. STI has expedited the occupancy of vacant space for new businesses and contributed to the growth and retention of existing San José businesses. STI’s consistently high performance helps to advance the core outcomes of the City’s Economic Development Strategy, including the growth and diversification of the San José job base and the increase of City revenues.

The chart below offers a brief recap of the objectives and outcomes of the STI Program since 2002. Staff provides high-end estimates on the potential square footage to be permitted through STI to demonstrate programmatic capacity.

**STI Program Targets Vs. Outcomes**

STI Periods	Dates	Est. Sqft. To be Perm’d	Actual Sqft. Perm’d	Est. # STI projects	Actual STI projects	Est. Jobs created/retained	Actual Jobs created/retained	Est. Foregone Revenue <sup>4</sup>	Actual Foregone Revenue <sup>5</sup>
1: Program Launched	4/30/02-10/31/03	5+ M vacant	1.5 M	High Interest	36	Not fore-casted	2,800	2.5 M	330 K
2: Added Downtown	11/1/03-4/30/05	DT: 250 K	70,600	30+	47	DT: 830	DT: 211	185 K	13 K
		Rest: High	2.54 M			Rest: 1,970	Rest: 3,689	275 K	427 K
3: Program Extension	5/1/05-10/31/06	DT: 100 K	20 K	40+	DT: 2	3900	DT: 70	440 K	593 K
		Rest: 2.5 M	1.96 M		Rest: 51		Rest: 2,975		
4: Current Proposal	11/1/06-4/30/08	DT: 100 K	TBD	50+	TBD	3000	TBD	600 K	TBD
		Rest: 2.5 M							

<sup>4</sup> Indicates foregone revenue from suspended Building and Structures Tax. Revenues raised through B&S Tax are restricted to traffic capital uses.

<sup>5</sup> Ibid.

The brief historical record of the STI Program is compelling. During the first period the STI Program accrued revenue for the City in excess of the cost of the construction tax suspension. The cost of implementing the initial phase of the STI Program was \$330,000, equivalent to the 1% of valuation charged through the Buildings and Structures Tax. OED reviewed property tax, utility tax and sales tax generated by the companies that used the STI Program in its initial period, and approximately \$376,000 in revenue was generated from these companies. The first period demonstrated STI's ability to provide the City with a 14% net revenue gain over the foregone revenue.

The second period of the STI Program included an extension of incentives for Downtown Core office space. This programmatic change reflected STI's ability to address significant challenges in 2004 when several large tenants relocated out of Downtown for lower lease rates and free parking elsewhere. This resulted in 70,600 square feet of permitted space and generated approximately 211 jobs Downtown. Again, the STI Program proved to be a net gain for City revenues. Overall the second period cost \$440,000 for implementation, or 1% of valuation charged through the Buildings and Structures Tax. However the STI Program generated a substantial \$534,892 in additional revenues, a 21% net increase over the foregone revenue for the same period.

During the third and most recent period of the STI Program, program statistics offer the following highlights:

- Twenty-six (26) companies, several with multiple phases and projects, utilized the STI Program. Approximately one-third of these companies were new to San José, relocating from outside the area.
- The series of phases and projects implemented by the companies above generated fifty-three (53) development projects, including two Downtown projects, totaling approximately 1.96 million square feet of space have been permitted.
- Approximately 3,050 jobs were created and/or retained, with a sector breakout as follows: 62% R&D/office, 33% manufacturing/labs, 3% warehouse and 2% Downtown offices.
- The construction valuation of the tenant improvements permitted in the third period rose to \$59 million from \$44 million during the previous timeframe, including \$1 million on Downtown projects.
- In order to support the efforts Downtown, the Redevelopment Agency allocated a new staff lead to target office recruitment and retention. The STI Program is widely regarded as an essential tool for the Agency to incentivize companies to do business Downtown.

The third period of the STI Program's existing tax suspension reduced Building and Structures (B&S) Tax revenues by an additional \$593,000, or 1% of valuation charged through the B&S Tax. While tax revenue derived from projects completed from May 2005 through September 2006 is not yet fully realized, staff forecasts the additional revenue will continue to exceed Program costs.

### Impacts to City Transportation Programs

The B&S tax reduction has a direct impact to the funding capacity of the City's Traffic Capital Improvement Program. B&S taxes are dedicated for the improvement and rehabilitation of the City's arterial street system. Typical expenditures include traffic signal improvements, arterial street enhancements, bridge rehabilitation and City local matching funds for regional highway project grants. The Department of Transportation has reported that the City has a \$370 million backlog of unfunded local transportation system rehabilitation needs. Efforts are underway this year to consider the potential of new local revenue sources for transportation needs to address this backlog, referred to as the City's Transportation Maintenance Master Plan.

Continuation of the STI program has an estimated impact of \$593,000 to the City's transportation programs. While this impact is acknowledged, on balance, the economic benefits of the STI program are considered to outweigh the transportation impact, particularly during this time as the local economy is continuing to recover.

### City Economic Development Benefits

The STI program continues to help the City remain aggressive in its bid to keep companies in San José. It enables San José to capture a significant amount of new leased space and is a critical component of the City's business retention strategy. In summary,

- The number of projects continues to rise during each period. Customer satisfaction is high; STI users continue to praise the Program and cite its value when deciding whether to do business in San José.
- The actual number of jobs created or retained is approaching 10,000. This number has a multiplier effect, contributing to the economic success of other San José businesses, retail, education and cultural venues as well as strengthening the San José quality of life index.

The current sunset date for the STI Program is October 31, 2006, however staff recommends extending the STI Program for an additional 18 months to April 30, 2008. Economic indicators show that the San José marketplace is slowly reinvigorating and the employment environment is improving. While staff is conservatively optimistic about the future, it remains critical that San José utilize a full range of creative tools to drive its economic success. No other city in Silicon Valley has a program like STI, and with the double digit vacancy rates mentioned earlier, STI's track record of expediting job location and capital investment in San José fuels the city's competitive edge.<sup>6</sup>

### PUBLIC OUTREACH/INTEREST

The continued extension of the STI Program has been discussed during the Council's annual Getting Families Back to Work Study Sessions. Corporate representatives and developers requested STI Program extension during the Counter to Council work groups in fall 2005.

<sup>6</sup> According to Colliers International, Silicon Valley currently has over 47 million square feet of vacant space.

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Since its inception, San José's corporate clients and the brokerage community frequently praise the STI Program. Developers who have used the Program and experienced firsthand the high value it offers continue to express a desire for its extension beyond October 2006. Please refer to the attached letters of testimony from CarrAmerica, eBay, Gensler re MiCrus Corp, Inc., Samsung Cheil Industries, Inc., Valerio-DeWalt-Train Associates, Inc., Underwriters Laboratories, Inc., and Xilinx.

The purpose of this memo is an extension of an existing program with associated outreach; the checklist criteria are not applicable in this case.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Office, the Budget Office, the Redevelopment Agency, Planning, Building and Code Enforcement, and the Department of Transportation.

### **FISCAL/POLICY ALIGNMENT**

Extension of the STI Program will assist the City with business retention and attraction efforts and enhancing the revenue base. The STI Program is highly regarded by businesses and the development community. Extension of the STI Program supports the direction given by the Economic Development Strategy. In particular the activities of the STI Program align with Strategic Initiative #5 "Support the Start-Up and Growth of Local Businesses, in Tech as well as Non-Tech Fields" and Initiative #6 "Improve Speed and Predictability of Development Review Process, and Reduce Costs of Operating in San José" to support the vision of an Entrepreneurial Environment.

### **COST SUMMARY/IMPLICATIONS**

The Program will continue to allow plan check fees to be deferred until the time of building permit issuance for projects that meet the tax suspension eligibility requirements. If a permit is not taken out by a customer benefiting from this program, plan check fees will be due no later than twelve (12) months from the application for the plan check service. The plan check review fees to be charged under the Coordinated Plan Review for implementation of the STI Program are in accordance with the fee schedule approved by Council for implementation in August 2006. The current fee schedule uses a full cost-recovery model for staff review associated with the STI Program.

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Exhibit A provides a breakdown of the costs and performance of the STI Program beginning April 2002. The foregone revenue in the estimated amount of \$593,000 suspended by the STI Program are funds dedicated to the City's Traffic Capital Improvement Program and used for transportation system improvements and rehabilitation. The net gain of additional revenues stimulated by the STI Program constitute monies that go directly to the City's General Fund.

If the vacancy rate in any one market area within the City decreases by five (5) percentage points, staff will review the data and determine if that sub-market area should be eliminated from STI Program participation.

Should the STI Program extension be approved, the San Jose Municipal Code will be amended and the amended ordinance will become effective thirty (30) days after its second reading. Staff is recommending that the amended ordinance be retroactive to November 1<sup>st</sup>, 2006, so that any applicant who would qualify under the amended ordinance will not have to pay the tax from November 1<sup>st</sup>, 2006, through the effective date of the amended ordinance. Alternatively, the Council may choose to allow the payment of the tax with a refund to the taxpayer upon the effective date of the amended ordinance.

**CEQA**

Exempt



PAUL KRUTKO

Director, Office of Economic Development

For questions please contact:  
Nanci Klein, Corporate Outreach Manager, at 408/535-8184

## EXHIBIT A

### STI Program Performance

<u>Area</u>	<u>Time Frame</u>	<u>Projects</u>	<u>Sq. ft Generated</u>	<u>Jobs Created</u>	<u>Construction Value</u>	<u>Tax Suspension</u>	<u>Additional Revenue*</u>
Industrial	4/02-10/03	36	1,500,000	2,800	\$33,000,000	\$330,000	\$376,090
Industrial	10/03-4/05	44	2,549,400	3,689	\$42,700,000	\$427,000	\$533,857
Downtown	10/03-4/05	3	70,600	211	\$ 1,300,000	\$13,000	\$1,035
Industrial	05/05-9/06	51	1,960,000	2,975	\$58,300,000	\$583,000	**
Downtown	05/05-9/06	2	20,000	70	\$1,000,000	\$10,000	**
Total	52 months	130	6,100,000	9,745	\$136,300,000	\$1,350,000	\$910,982**

\* Additional Revenue is calculated using GRIP data, including sales tax, property tax and utility tax.

\*\*Tax revenue derived from projects completed from May 2005 through September 2006 is not yet fully realized. Complete data for that timeframe will be available in the first half of FY 2006-07.



*Copy to Council & per website*

eBay Inc.  
2145 Hamilton Ave.  
San Jose, California 95125

March 10, 2006

www.ebay.com

Mr. Ron Gonzales  
Mayor, City Of San Jose  
200 East Santa Clara Street  
San Jose, CA 95113

RE: STI permit review and issuance for eBay L1  
Plan check 06-006593

Dear Mr. Gonzales:

On behalf of eBay Inc, we would like to extend a note of appreciation to the STI team in the Department of Building Inspection, for the efficient review and approval of the eBay L1 permit set in March 2006.

We received permit approval for 73,000 s.f. of interior improvements less than one week after the general contractor, architect and engineer met with the STI staff. No other city in the Bay Area can match that time frame.

The Special TI process developed by the City of San Jose is so simple in principle, yet highly effective. As an owner, we greatly appreciate any time saved in the permit review process. It is enabling our general contractor to start construction sooner than expected.

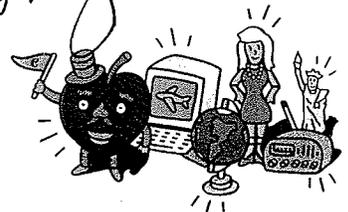
We would like to extend a special thank you to Allen Lang, who was the overall STI coordinator for this permit. Allen has been a joy to work with through all of the eBay permits we have filed and received to date.

Very truly yours,  
eBay Inc.

Thomas C. Edwards  
Senior Design & Construction Manager

cc: Allen Lang/ City of San Jose

*Alan - Congratulations on a job well done!  
Ron Gonzales*



V A L E R I O  
D E W A L T  
T R A I N

28 September 2006

Ms. Nanci Klein  
City of San José  
200 East Santa Clara Street  
San José, CA 95113-1905

Dear Ms. Klein:

Valerio Dewalt Train has had numerous opportunities in the past three years to use the City of San Jose Special Tenant Improvement Program. We have used the program for numerous eBay Inc. tenant improvement projects totally approximately 500,000 square feet.

With each permit submission, our experience has been 100% positive. The ability to meet with all of the various city agencies and speak directly w/ the permit reviewers has facilitated open communication and helped resolve questions or issues immediately.

The STI program allows us to smoothly move thru the permit process and obtain a permit in very quickly. We highly recommend that the City of San José renew the Special Tenant Improvement Program.

If there are any questions or comments, please do not hesitate to contact myself or Heather Salisbury.

Sincerely,

**VALERIO DEWALT TRAIN ASSOCIATES, INC.**



Joseph M. Valerio, F. A.I.A.

HMS/d

CC: Main File/HMS

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**CarrAmerica Realty Corporation**

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1810 Gateway Drive  
Suite 150  
San Mateo, CA 94404  
Telephone 650.655.6800  
Fax 650.524.5562  
Direct Line 650.524.5531  
E-Mail: art.kennedy@carramerica.com

**CarrAmerica.**

September 27, 2006

Mr. Ron Gonzales, Mayor  
**CITY OF SAN JOSE**  
City Hall  
200 East Santa Clara  
San Jose, CA 95113

Dear Mr. Gonzales:

In the current, increasingly competitive, recovering market, CarrAmerica holds the STI (Special Tenant Improvement) program with high regard as a tool to attract potential tenants from a "speed to market" perspective.

Of particular concern is the competition we are seeing from adjacent sub-markets; which have newer product available to the marketplace and smaller, more nimble planning infrastructures.

This concern is offset by the availability of a resource in San Jose - through STI - which enables us to counteract the competitive disadvantages in seeking tenants in these competing markets to favor our heavily weighted San Jose portfolio.

We strongly urge you to extend the STI program during the emerging recovery so we, and in turn, San Jose can remain competitive for the leasing activity in our market.

Thank you.

**ARTHUR J. KENNEDY**

Arthur J. Kennedy  
Vice President / Senior Project Manager

cc: Ru Weerakoon  
Director, Industrial Development  
San Jose Redevelopment Agency  
200 East Santa Clara Street, 14th Floor  
San Jose, CA 95113

September 28, 2006

Nanci Klein  
Corporate Outreach Manager  
City of San Jose  
200 East Santa Clara Street  
San Jose, CA 95113

Subject: STI Permit Program Support

Dear Nanci:

I understand that the STI program is about to expire and the City of San Jose is considering renewal of this program. I would like to express my support for continuation of the program.

I am an architectural project manager with Gensler, an international architecture and design firm. Many of my recent projects have been tenant improvements for R&D and bio-tech companies. I have used the STI program for several different projects, and every experience has been a success. Because of the STI program, we have been able to meet very aggressive construction schedules by decreasing the time required for plan review. We've always received plan check comments or even a permit the same day of the review meeting, even for large jobs of over 30,000 sq. ft.

I applaud your staff for the coordinated plan review effort. Because we have been able to greatly reduce the time required for document review, tenants have felt confident relocating their businesses to your city. I'd be happy to discuss my personal experiences with you further. I can be reached at 408-885-8101.

Sincerely,



Penny Lewis  
Associate

325 South First Street  
2nd Floor  
*San Jose* California 95113  
Tel: 408. 885. 8100  
Fax: 408. 885. 8199

332-2,Gocheon-dong, Uiwang-si, Gyeonggi-do, Korea 437-711  
Tel : +82-2-6099-2000, Fax : +82-2-2076-7005, E-mail : jinhoon.je@samsung.com

Development Services  
The City of San Jose  
San Jose City Hall  
200 East Santa Clara Street  
San Jose, CA 95113

June 5, 2006

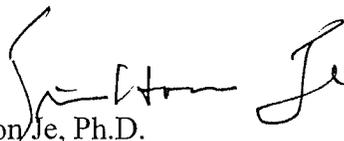
**Re: Special Tenant Improvement Program for the Building at 2186 Bering Dr.**

Dear Development Services Council,

I greatly appreciate your reviewing our development plan for the building at 2186 Bering Drive, San Jose, California, 95131 under Special Tenant Improvement Program. We have reviewed several candidate cities for a site of our business and technology development facilities and selected your city, San Jose, due to its excellent infrastructure and the strong recommendation of our sister company, Samsung Information Systems America. We will set up our business this year and with its successful operation, then add more functions and continue to expand this site as our business base for North America and Europe through the next 3 years.

Cheil Industries Inc., as a parent company of Samsung Group, has played a key role in Korea's economic development since its establishment in 1954 and today is growing into a world-class, engineering plastics and electronic chemical materials supplier by offering top quality products and services for consumer electronic, semiconductor and display applications. We truly look forward to becoming a part of your high-tech city and contributing to local communities.

Best Regards,

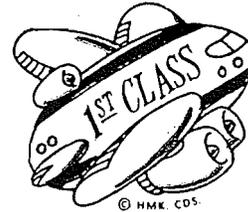
  
Jin Hoon Je, Ph.D.  
President & CEO  
Samsung Cheil Industries Inc.

April 19, 2005

Mr. Steven Undorte  
West Coast Facilities Manager  
Underwriters Laboratories, Inc.  
1655 Scott Boulevard  
Santa Clara, CA 95050-4169

*Allen -  
Great job!*

*Stet*



Dear Mr. Undorte,

Thank you for your letter informing me of your positive experience working with Allen Lang and our City staff. I'm pleased to learn that the Special Incentive Program for Tenant Improvement has been beneficial for your company.

I look forward to an exciting and productive future in San José for Underwriters Laboratories, Inc. We are here to help your company succeed. After your modifications are finalized, I'm confident that our team working with you will do all they can to help you achieve your goals.

If my office can be of assistance to you, please contact me at (408) 277-4237 or by e-mail at [maoyoremail@sanjoseca.gov](mailto:maoyoremail@sanjoseca.gov). Thank you again for choosing to do business in San José.

Sincerely,

*Ron Gonzales*  
Ron Gonzales  
Mayor

CC: Del Borgsdorf, City Manager  
Chuck Reed, Councilmember, District 4  
Allen Lang, Special Incentive Program Manager  
Stephen Haase, Director of Planning Building and Code Enforcement



October 2, 2006

Honorable Mayor Ron Gonzales and City Council  
200 E. Santa Clara St., 18th Floor  
San Jose, CA 95113

Re: City's Special Tenant Improvement Program

Dear Honorable Mayor Ron Gonzales and City Council,

I'd like to express my satisfaction with the City's Special Tenant Improvement Program. We have used this process twice in the recent past and found it to be an efficient and speedy way to get through the permitting process. Xilinx hopes that the program continues and that we are able to use it again on future projects.

Sincerely,

A handwritten signature in black ink that reads 'Matt Jorgensen'.

Matt Jorgensen

Construction Project Manager  
Xilinx Inc.  
2100 Logic Drive  
San Jose, CA 95124