



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko
John Stufflebean

SUBJECT: SEE BELOW

DATE: August 3, 2009

Approved

Date

8/14/09

COUNCIL DISTRICT: District 3
SNI AREA: NA

**SUBJECT: CITY OF SAN JOSÉ APPLICATIONS FOR FEDERAL ASSISTANCE FOR
LAS PLUMAS CLEAN TECH DEMONSTRATION CENTER**

RECOMMENDATION

Adopt a resolution authorizing the City Manager, or designee, to:

- Submit an application for federal assistance to the U.S. Department of Commerce's Economic Development Administration in an amount not to exceed \$4,000,000 to construct a Clean Tech Demonstration Center,
- Submit an application to the U.S. Department of Energy for its Community Renewable Energy Deployment grant in an amount not to exceed \$5,000,000 to install renewable energy technologies

OUTCOME

Authorizes the City Manager to submit a grant application to renovate a 46,000 sq. ft. building currently owned by the City into a clean technology demonstration and prototype manufacturing center, in conjunction with the Environmental Innovation Center Project. The commercialization, incubation and prototype manufacturing facilities will allow emerging companies to start and grow in San José and Santa Clara County. Based upon previous incubation programs in San José, it is estimated that 1,000 new jobs will be created over a five year period in San José and Santa Clara County by companies working in this facility and that \$150 million in private investment will be generated as a result of the Clean Tech Demonstration Center (CTDC).

BACKGROUND

Submission of these applications is a follow-up to an Economic Development Assistance (EDA) planning grant awarded in 2006, which produced a market analysis and conceptual facility design for an electronic transportation development center. Subsequently, the City of San José produced a strategic paper outlining the market analysis for the CTDC, a one-of-a-kind facility that will serve as a pathway to further the City's Green Vision policy. Clean tech innovation in Silicon Valley continues to have a major impact on economic development and job growth. Competition for clean tech jobs remains intense – and the CTDC can play an innovative and exciting role in attracting, assisting and retaining companies poised to develop innovative technologies.

ANALYSIS

As envisioned, the CTDC will provide a number of synergistic opportunities that are in alignment with the planned Environmental Innovation Center at Las Plumas. The center will host the CTDC, green building and energy efficiency displays, and a permanent household hazardous waste drop-off facility.

Because the majority of emerging technology companies still lack a place to test their technology on a commercial level or to manufacture the initial prototype product, San José plans to extend the traditional incubation model to form a continuum of commercialization services necessary to create a full clean technology innovation cluster – from technology innovation through incubation, demonstration, early stage manufacturing and market entry within a single unified process. With this vision, the CTDC can serve as a model for the nation and is consistent with the U.S. Department of Commerce funding in their current budget to help create technology innovation clusters.

Specifically, the project will provide for the renovation of a 46,000 square foot former industrial building currently owned by the City. This facility will contain laboratories and manufacturing space for innovators to test, demonstrate and develop new clean technology products for solar energy, green fleet vehicles and green building/energy efficiency technologies. It is anticipated that many of these innovators will emerge from the City's incubator network and from across Silicon Valley. The benefits of the CTDC are highlighted below:

- This Center will be a community environmental training and incubation center, linked to the CTDC, providing entrepreneurship training opportunities and prototype manufacturing jobs for low and moderate-income residents.
- The facility would provide a living laboratory for renewable energy, energy efficiency, green building, and clean transportation technologies, allowing innovators to test, demonstrate, and manufacture technology prototypes for potential wide-scale deployment.

- Workforce training opportunities targeting the green economy will be created through the integration of a CTDC, and clean tech and bioscience incubators.
- The building would also showcase green building design through the use of sustainably-harvested and re-used construction materials, solar energy production, and energy-efficient design. Additionally, the site would showcase best practices for onsite stormwater management, waste and water reduction, and sustainable landscaping.

The CTDC, and the green technology showcased within, is consistent with the City's Green Vision Goals including Goal #1 Creation of 25,000 Clean Tech jobs; Goal #2 Reduce per capita energy consumption by 50%; Goal #3 Receive 100% of electrical power from clean renewable sources; Goal #5 Zero Waste, and Goal #8 ensure that 100% of public fleet vehicles run on alternative fuels.

In addition, large conference room space will be available for reservation to accommodate classes for sustainability education and job trainings as offered by PG&E and other environmental entities. ESD is pursuing the highest level of Leadership in Energy and Environmental Design (LEED) certification for this facility, with a goal of attaining a Platinum rating.

The site will also host a permanent household hazardous waste (HHW) drop-off facility which will provide a necessary community service. Through a careful site selection process, approved by the San José Planning Commission and City Council in 2007, this new HHW facility will be located in central San José along Las Plumas Avenue, offering city residents a convenient location that is accessible via Highway 101 and major arterial streets. With a closer venue, residential participation in the HHW program is anticipated to increase, with the additional benefit of reducing greenhouse gas emissions as travel distance would be much shorter compared to other similar sites within the County.

U.S. Department of Commerce's Economic Development Administration Assistance

The Office of Economic Development and ESD seek Council authority to apply for \$4,000,000 of assistance to construct the CTDC. The construction cost of the Phase II Environmental Innovation Center building will be approximately \$12 million. Construction activities will include the renovation of the interior spaces and some exterior areas of the building which will ensure appropriate accommodations are provided for future programming and operations. On June 23, 2009, Council approved a construction contract for improvements to implement Phase I of the HHW facility (which received CEQA clearance in 2007, EIR File No. PP06-100) for exterior site improvements for \$2.5 million (includes contingency) and a master agreement for an architectural contract for \$1.5 million to develop construction plans for Phase II.

As an applicant for EDA funding, the City will be required to provide EDA with a security interest or other statement of interest in the real property or in significant items of tangible property acquired or improved with EDA investment assistance. For this project EDA has

indicated that they would want a first priority lien on the assets of the building. Furthermore, the City would not be able to sell the facility nor use it for another purpose without EDA approval.

Non-EDA Project Funding

The chart below summarizes the funding that has been identified for the construction of the building, not including the two grants that are the subject of this report.

| Source | Fund | Appn. | Amount | Date of Availability and Conditions or Restrictions |
|---------------------------|-----------------------------|--|-------------|--|
| City of San José | Integrated Waste Management | 3628 – Household Hazardous Waste Las Plumas Facility | \$2,500,000 | Funds for Phase I construction of exterior site improvements, including stormwater mitigation and the parking lot |
| City of San José | Integrated Waste Management | Reserve for Construction Demolition Diversion Deposit (CDDD) | \$5,000,000 | Reserves currently part of 423 Fund Balance; for use for Phase II architectural design work and construction. |
| State of California-CIWMB | Integrated Waste Management | 3628 – Household Hazardous Waste Las Plumas Facility | \$250,000 | These grant funds awarded in late 2008 will be reimbursed by the State and must be spent on construction of the HHW facility |

In addition to the grant applications recommended in this report, staff is planning to pursue more funding opportunities. These include \$2 million each from the California Energy Commission and from the Department of Energy American Recovery and Reinvestment Act funding for energy efficiency equipment such as heating and cooling systems and lighting. It is anticipated that funds would be awarded in early 2010. Additionally, staff intends to develop lease agreements with the Environmental Innovation Center tenants to help cover some capital and operating costs.

As of this date, ESD has expensed \$4.5 million on land acquisition in June 2006, \$1 million for City design and project management costs and \$1.5 million was committed June 2009 for Architectural Services.

Clean Tech Demonstration Center Benefits

San José already has a track record of incubation that helps develop 40 to 50 new companies each year in four incubators. These companies need a place to test their products, demonstrate commercial readiness, perform small-scale manufacturing and train others to use, install and adopt their products. They also need training facilities to develop the workforce needed to staff these emerging young companies can be developed.

The City of San José provides the management for the Silicon Valley Workforce Investment Board, work2future that assist companies with recruitments and, where appropriate, on-the job training opportunities at all four incubator facilities and the CTDC for individuals seeking to enter the green economy at all stages of the value chain from innovation to deployment. Thus, the Center will provide a valuable, visible and accessible location where both the private and public sector can meet, work and support clean tech entrepreneurs. Finally, the City of San José expects that the CTDC will help emerging companies enter the market and grow, creating one thousand jobs in the first five years.

| Proposed Timeline/Milestones | Start | Completion |
|---|--------------|-------------------|
| Solicit and Award Architectural Contract (Phase II) | March 09 | June 09 |
| Begin Design | July 09 | Feb 10 |
| Obtain CEQA Clearance/Public Outreach | July 09 | Sept 09 |
| Bid and Award Construction Contract (Phase II) | March 10 | May 10 |
| Construction Begins | May 10 | Aug 11 |

U.S. Department of Energy Grant

Staff is seeking Council authorization to apply for a \$5,000,000 Community Renewable Energy Deployment grant from the United States Department of Energy (DOE). The grant would be used to fund the installation of renewable energy technologies including photovoltaics (i.e. solar panels) on car-shades in the parking lot and on the building rooftops. This installation would support the City's efforts to pursue LEED Platinum Certification for the project, which would not be financially feasible without the DOE grant. Funds will be used to cover costs for the site preparation, for the purchase and installation of solar panels, and to offset design and other soft costs.

In order to accept the grant, the City would be required to provide 50% matching funds or \$2,500,000 for an award of \$5,000,000. The City can meet the matching requirement by using funds currently held in the CDDD Reserve as shown above in the Non-EDA Project Funding chart. Upon award of the grant, ESD will return to Council requesting an appropriation action. This grant application is due by September 3, 2009, with an anticipated award on or about January 2010.

A subsequent CEQA review will be completed prior to consideration of the grant agreement by the Council.

EVALUATION AND FOLLOW-UP

The project will be brought back to City Council for approval after notification of grant award by the EDA or DOE.

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PUBLIC OUTREACH/INTEREST

- Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- Criterion 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)
- Criterion 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)

This memo will be posted on the City's website for the August 25, 2009 City Council agenda.

COORDINATION

This memo was coordinated with the offices of the City Manager's Budget Office, the City Attorney, the Finance Department, and the Public Works Department.

FISCAL/POLICY ALIGNMENT

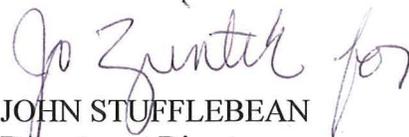
Adoption of this resolution will further the City's Economic Development Strategy by helping to: (a) "Forge Connections to Innovation Regions Globally for Mutual Economic Benefit" (Initiative 2), (b) "Support Start-Up and Growth of Local Businesses" (Initiative 5), (c) "Make San José a Tech-Savvy City; Lead the Way in Using Technology to Improve Daily Life (Initiative 7), (d) "Diversify San José's Economic Base and Preserve/Create Middle-Income Jobs" (Initiative 8), (e) Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning (Initiative 9), and (f) Engage Private-Sector Leadership for San José's Economic Strategy (Initiative 15).

CEQA

Not a Project (Subsequent CEQA review will be completed prior to the Council's approval of the Master Plan and award of the construction contract for Phase II, Environmental Innovation Center).



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