



**MINUTES OF THE CITY COUNCIL
2003 ECONOMIC DEVELOPMENT STRATEGY
STUDY SESSION**

SAN JOSE, CALIFORNIA

MONDAY, FEBRUARY 8, 2010

The Council of the City of San José convened in regular study session at 1:35 p.m. in the Council Chambers at City Hall.

Present: Council Members - Campos, Chirco, Chu, Constant, Herrera, Kalra, Liccardo, Nguyen, Oliverio, Pyle; Reed.

Absent: Council Members - None.

Staff: City Attorney Richard Doyle, City Manager Debra Figone, Chief Development Officer Paul Krutko, Chief Strategist Kim Walesh, Assistant City Clerk Dennis Hawkins and Legislative Secretary Susan M. Davis.

Documents Filed: (1) Memorandum from Mayor Reed, dated February 4, 2010, (a) requesting Staff to articulate clearly the importance of driving industries to San José's economy by inserting an update of Part III of the 2003 Economic Development Strategy, specifically the facts and findings in section IIIb and IIIc into the final version of the Economic Strategy Update 2010-2015; (b) identify the following recommendations as the highest priorities for economic development programs to be pursued in 2010: (1) highest priority strategic Goals for 2010; (2) highest priority action items for 2010 and (3) highest priority business attraction/retention and development initiatives. (2) Memorandum from Mayor Reed and Council Members Liccardo, Pyle and Herrera, dated January 25, 2010, recommending direction to the City Manager and Executive Director and development incentives. (3) Memorandum from Chief Development Officer Paul Krutko, dated January 26, 2010, stating that Staff will provide an overview of the draft Economic Strategy 2010-2015 and supporting analysis; Administration will obtain Council input to finalize the Economic Strategy and Work Plan for Council approval. (4) Memorandum from Chief Development Officer Paul Krutko, dated January 27, 2010, identifying potential incentives to spur near term permanent jobs and City revenues. (5) Staff presentation dated February 8, 2010 outlining the Economic Strategy Update 2010. (6) Presentation from Carl Guardino, President and CEO, Silicon Valley Leadership Group, dated February 8, 2010, summarizing Driving Industries Perspective. (7) Brochure from McKinsey & Company, Keeping California Competitive, dated February 8, 2010.

Access the video, the agenda and related reports for this meeting by visiting the City's website at <http://www.sanjoseca.gov/clerk/agenda.asp> or <http://www.sanjoseca.gov/clerk/MeetingArchive.asp>. For information on any ordinance that is not hyperlinked to this document, please contact the Office of the City Clerk at (408) 535-1266.

Achievements Since 2003 Economic Strategy

Mayor Reed provided opening comments.

City Manager Debra Figone presented background information that has occurred since 2003 Economic Strategy efforts.

Chief Development Officer Paul Krutko summarized the Economic Strategy Update 2010.

Council Member Constant arrived to the meeting at 1:51 p.m.

Mayor Reed outlined his memorandum dated February 4, 2010 and offered the following changes to Staff: (a) Request Staff to articulate clearly the importance of driving industries to San José's economy by inserting an update of Part III of the 2003 Economic Development Strategy, specifically the facts and findings in Sections IIIb and IIIc into the final version of the Economic Strategy Update 2010-2015. (b) Identify the recommendations outlined below as the highest priorities for economic development programs to be pursued in 2010. (1) Highest Priority Strategic Goals for 2010. Encourage emerging companies and growth sectors that can drive the San José/Silicon Valley economy and generate revenue for City services and infrastructure; Preserve and strengthen manufacturing-related activity and jobs; Nurture the success of local small businesses; Improve the speed, consistency and predictability of the development review process and reduce costs of operating a business in San José. (2) Highest Priority Action Items for 2010. Fifteen action items identified in Attachment A. (3) Highest Priority Business Attraction/Retention and Development Initiatives. Recommendation #5 of the memorandum authored by Mayor Reed and Council Members Liccardo, Pyle, Herrera, dated January 25, 2010, included as Attachment B.

Performance of San José Economy: 2004-2009

Chief Strategist of Economic Development Kim Walesh provided the overview of the San José Economy 2004-2009.

Ten Major Forces of Change Shaping San José's Economic Future

Chief Strategist of Economic Development Kim Walesh and Chief Development Officer Paul Krutko outlined the ten major forces of change shaping San José's Economic Future.

Recommended Strategic Goals for 2010-2015

Chief Development Officer Paul Krutko presented a brief summary of the strategic goals for 2010 through 2015.

Council Discussion

Chief Development Officer Paul Krutko and Chief Strategist Kim Walesh responded to Council questions and comments. Extensive discussion followed.

Response: Expert Advisory Panels

Economic Experts, Doug Henton, Collaborative Economics, Sean Randolph, Bay Area Council Economic Institution and Jaana Remes, McKinsey Global Institute responded to the following questions: What is most important for Council to know about the economic environment San José will face in the next 5 years? How should San José respond to ensure the City's economic success?

Stakeholder experts, Bob Brownstein, Working Partnerships, Carl Guardino, Silicon Valley Leadership Group and Pat Sausedo, San José Silicon Valley Chamber of Commerce responded to the following: From your perspective, what are the two most critical issues San José must address to succeed economically the next five years? How should San José respond?

Preliminary Eighteen Month Work Plan

Chief Development Officer Paul Krutko summarized the Preliminary Eighteen Month Work Plan.

Director of Aviation William Sherry requested that the City Council consider holding a Special Study Session on the Airport budget issues on March 8, 2010.

Mayor Reed argued that eighteen months is too long and Staff should focus on the top ten incentives in lieu of fifteen for 2010.

Motion: Council Member Liccardo moved approval of the memorandum from Mayor Reed, dated February 4, 2010, the Staff memorandum dated January 27, 2010, which identified potential incentives for Staff to move forward for further refinement. Staff requested to return with an analysis of the distinctions between the Staff memorandum and the joint memorandum from Mayor Reed and Council Members Liccardo, Pyle and Herrera, dated January 25, 2010. Staff was requested to return to Council on February 23, 2010. Council Member Herrera seconded the motion.

Council Member Constant requested to amend the motion to direct Staff to provide more analysis and feedback regarding the suspension of license fees for small businesses. The amendment was accepted by Council Members Liccardo and Herrera.

Council Member Chu expressed concern about the streamlining process for small businesses.

Public Comments

Providing comments to the Development Incentives for San José's Economic Recovery were David Wall, Gerry De Young, Chair, San José Silicon Valley Chamber of Commerce, Stan Gould and Aaron Barger, Barry Swenson Builder.

Council Action

Action: On a call for the question, the motion carried unanimously, Staff will return to the City Council on February 23, 2010 in response to the referrals regarding Economic Development Incentives. (11-0.)

Mayor Reed adjourned the Study Session at 5:17 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

Dennis Hawkins
Assistant City Clerk

smd/02-08-10 ECON STRATEGY MIN

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