



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: April 7, 2010

Approved

Date

4/15/10

COUNCIL DISTRICT: Citywide

**SUBJECT: CITY OF SAN JOSE APPLICATION FOR FEDERAL ASSISTANCE
UNDER THE ENERGY REGIONAL INNOVATION CLUSTER FOR
ENERGY EFFICIENT BUILDING SYSTEMS**

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 for: \$3,000,000 to build energy efficient building systems at the Clean Tech Demonstration Center; and \$2,000,000 in financial assistance for demonstration, deployment and commercialization activities undertaken by partners in the Regional Innovation Cluster.

OUTCOME

Authorizes the City Manager to submit a grant application that includes; energy efficient building system improvements to a 46,000 sq ft building the City currently owns; and financial assistance for program development, deployment and commercialization activities from technologies originating from the labs and private industry throughout the identified region.

The 46,000 sq. ft. Las Plumas Innovation Center is intended to be a clean technology demonstration and prototype manufacturing center. The commercialization, incubation and prototype manufacturing facilities will allow emerging companies to start and grow in San Jose and Santa Clara County.

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BACKGROUND

Lawrence Berkeley National Laboratory, National Renewable Energy Laboratory (NREL), Oakridge Labs, UC Berkeley, UC Davis, Stanford and other partner institutions are applying to the U.S. Department of Energy (DOE) and other federal agencies for a five-year grant totaling nearly \$130 million to establish an Energy Efficient Building Systems Regional Innovation Cluster (RIC). This Regional Innovation Cluster (E-RIC) would provide sustained federal funding for research, development and demonstration in building energy efficiency technology. In an effort to determine an Economic Development Administration Co-Applicant for this inter-agency funding opportunity, the National Labs issued a Request for Information (RFI) to economic development agencies throughout the Northern California region. San Jose was selected as the Lead Co-Applicant. Other Department of Commerce agencies that are participating in this are the Small Business Administration (SBA) and National Institute of Standards and Technology (NIST) as funding agencies, and Department of Education (DOE) and Department of Labor and National Science Foundation (NSF) as agencies that will leverage existing funding streams.

The E-RIC concept brings together a strong partnership between local governments, non-profits, and the private sector, with the idea of producing sustained technology leadership and economic benefits, and specifically with the goal of increasing regional gross domestic product, eliminating gaps between the supply and demand for skilled workers, and enhance the economic, technological, and commercial competitiveness of the US on the global stage.

This grant application submission is a follow-up to an Economic Development Administration (EDA) planning grant awarded in 2006, which produced a market analysis and conceptual facility design for an electronic transportation development center at Las Plumas. The City subsequently applied for a \$4 million EDA construction grant for this facility that will serve as a demonstration platform for a broader array of clean technologies to further the City's Green Vision policy. Currently, the \$4 million construction grant is pending before the EDA Seattle Regional Office.

ANALYSIS

As Co-Applicant, the Office of Economic Development seeks Council authority to apply for \$5,000,000 of assistance from the Economic Development Administration (EDA) for energy efficiency improvements at the Clean Tech Demonstration Center (CTDC) at Las Plumas (\$3.0 million) and financial assistance for demonstration, deployment and commercialization activities undertaken by partners in the Regional Innovation Cluster (E-RIC) (\$2.0 million). The partners (San Francisco and the Sacramento Area Regional Technology Alliance (SARTA)) will work on a deployment model which will focus on opportunities to convene and catalyze demonstration, deployment and commercialization activities.

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 Jose plans to extend

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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 deployment of energy efficient building systems, and it consistent with the U.S. Department of Commerce funding in their current budget to help create technology innovation clusters.

California, an energy efficiency leader, has already established policies to require new homes and buildings to be zero net energy in coming decades as part of its plan to implement AB 32. The Northern California region from San Jose and Silicon Valley through the Bay Area extending north to the greater Sacramento area is perhaps the finest location in the US for promoting and developing business and prosperity in the Clean Tech industry, and the premiere location for the Energy Efficient Building Systems Regional Innovation Cluster.

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 item will be addressed at the April 27, 2010 City Council meeting. The Grant application is due to the Department of Commerce- Economic Development Administration on May 6, 2010.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

Adoption of this resolution will further the City's Economic 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) Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs (Initiative 8), and (d) Engage Private-Sector Leadership for San Jose's Economic Strategy (Initiative 15).

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CEQA

Not a Project, File #PP10-068 Grant Application

/s/
PAUL KRUTKO
Chief Development Officer

For questions, please contact Scott Green, Clean Technology Policy Officer, at 408-535-8169