



COUNCIL AGENDA: 04-17-12
ITEM: 4.1

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Dennis Hawkins, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: 4-05-12

SUBJECT: ECONOMIC STRATEGY WORKPLAN TOP FIVE PRIORITIES

RECOMMENDATION

As recommended by the Community and Economic Development Committee on March 26, 2012 and outlined in the attached memo previously submitted to the Community and Economic Development Committee, accept the staff report on the progress implementing the Top 5 highest workplan priorities for the Economic Strategy.



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Kim Welsh

SUBJECT: ECONOMIC STRATEGY WORKPLAN DATE: March 22, 2012
TOP FIVE PRIORITIES

Approved

Date

3/22/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Accept staff's report on the progress implementing the Top 5 highest workplan priorities for the Economic Strategy.

BACKGROUND

On October 18, 2011, City Council adopted the second 18-month workplan to implement the 2010 Economic Strategy. City Council identified the "Top Five" workplan priorities that staff should spend 80% of their time pursuing for the remainder of fiscal year 2011-2012. City Council also directed staff to identify challenges and opportunities in implementing the Economic Strategy workplan due to Federal and State actions or local funding constraints.

ANALYSIS

Over the last five months, staff from the Community and Economic Development CSA Departments have made significant progress on achieving the Top Five workplan priorities.

Priority #1. Work at the speed of business on major development projects that can have a measureable impact on job creation or revenues within the next 18 month. This includes:

- a. timely development of major projects that will generate tax increment or property tax revenues,*
- b. timely development of major projects that will generate sales tax revenues,*
- c. recruitment and retention of small and large driving industry companies, and*
- d. preserving and strengthening manufacturing-related activity.*

Staff have led significant efforts to shape a cost-competitive, speedy environment for business (Policy) as well as efforts to facilitate major development projects (Projects).

Policy Changes

- *Reduction Construction Taxes.* In January 2012, City Council temporarily suspended the construction taxes for Office R&D and other industrial uses, providing a favorable leasing environment for technology tenants until March 15, 2014.
- *Reduction in Traffic Impact Fee.* Also in January, 2012, City Council approved a temporary reduction in North San Jose Traffic Impact fee to \$5 until December 31, 2014 to incentive earlier development of 1 million square feet of industrial space.
- *Additional Development Services Staff.* In January 2012, Council approved additional staffing in Development Services to address the increased demand for projects. About half of these positions are filled. Recruitments are proceeding for the other positions, with the first of the new hires expected to be on board in May. Work is also proceeding on procuring contractual services to provide peak-level staff capabilities to better scale staff availability to activity fluctuations.
- *Streamlined Processing for Storage Tanks in Industrial Districts.* On December 2011, City Council approved zoning ordinance changes for streamlined processing or additional use considerations related to above-ground storage tanks in industrial zoning districts; small, non-residential building additions; drinking establishments in full-service hotels; vehicle rentals; temporary trailers; and parking reduction exceptions.
- *Streamlined Processing for Auto Uses and Others.* In February 2012, Council approved additional Zoning Ordinance amendments for a more streamlined permit process for the development and operation of industrial and commercial uses within San Jose. The amendments allow for additional use considerations related to vehicle sales, sales of vehicle parts, hospitals, ministorage facilities, and drinking establishments associated with wineries or breweries.
- *Streamlining Real Estate Sales.* In February 2012, Council approved several Real Estate streamlining processes to help expedite the sales of surplus City land.
- *Clarifying and Reducing Processing Times.* Development Services has been updating the standard processing timelines to provide greater certainty to developers.
- *Expedited Foreign Trade Zone for Manufacturers.* OED submitted the Alternative Site Framework application to the Foreign Trade Zones Board of the U.S. Department of Commerce to designate the City of San Jose as the Service Area. If the application is approved, all San Jose businesses will have the opportunity to apply to activate their site expeditiously as a Foreign Trade Zone.

Projects

- *STI/ITI Projects.* Since January 1, Development Services staff have processed 132 STI/ITI projects including Monolithic Power Systems, Micrel, Microsemi, Capital Fiat, A10 Networks, Sunflower Farmers Markets, Capitol Hyundai, Capitol Chevrolet, Solopower, Kovio, and Novellus.
- *Driving Industry Business Outreach.* Since July 1, staff has conducted 175 business outreach meetings with driving industry companies, and associated follow up actions. Examples of recent meetings include Cisco, Brocade, Solopower, CTS, Sanmina SCI, Tenrehte, Pico Watt, Aria Diagnostics, Rocket EMS, Neurosky, Oracle, Pinger, PWC, Trina Solar, and China Unicom. In addition, staff has met with numerous brokers, property owners, developers, and tenant representatives.

- *Expansion of Auto Dealers.* Building permits were issued to three auto retailers—Capitol Hyundai, Capitol Chevrolet, and Capitol Fiat. With the addition of these three dealerships, Capitol Auto Row is once again fully leased. New car sales tax revenue at Capitol Auto Row and Stevens Creek Boulevard was up 15% in 2011 compared with 2010. It is important to note that 15-20 acres of land on Capitol Auto Row was vacant just three years ago and there were requests to convert this land to housing. Retention of the existing land use was fundamental to the continued strength of Capitol Auto Row, and generation of sales tax.
- *Santana Row Office Building.* Federal Realty is moving forward with a 220,000 square foot office building on Winchester at Santana Row. Staff is facilitating to ensure speedy construction and occupancy.
- *Almaden Ranch Retail.* The Almaden Ranch retail development, anticipated to break ground this fiscal year, will bring up to 400,000 square feet of neighborhood- and regional-serving retail and more than 700 jobs. Staff is actively working with Caltrans to secure the necessary State approvals for the applicant. The project will bring \$650,000 annually in new sales tax revenue to the city (conservative estimate).
- *Hitachi Mixed-Use Development.* The retail portion of the Hitachi/Western Digital mixed-use development will be submitting plans for approval this quarter and the developer has stated a desire to break ground by this summer with 250,000 square feet of retail, which should generate between \$500,000 and \$600,000 annually in new sales tax revenue. Four developers have been selected to build 3,000 units of housing.
- *North San Jose Housing.* Roughly 3,000 units of apartment housing are under construction in North San Jose.
- *North San Jose Office R&D.* Staff has met with 10 of the key developers about potential new Office R&D projects in North San Jose, in response to the temporary reduction in traffic impact fees. Staff has also been meeting with key companies to alert them to development opportunities in San Jose to reinforce the recent radio advertisements touting our focus on industrial growth.
- *Advanced Manufacturing in San Jose.* Staff has met with all major Tier 1 and Tier 2 Electronic Manufacturing Service (EMS) providers, including Sanmina, Flextronics, Jabil, Celestica and Foxconn, in order to better understand their role in advanced manufacturing and how the City can retain some of the world's largest EMS providers in San Jose. Work2future produced a report describing the essential role of contract manufacturers in Silicon Valley innovation and identify opportunities for collaboration and workforce training.
- *Development Services Project Manager.* The Development Services Project Manager continues to play a critical role coordinating interdepartmental issues, implementing process and ordinance streamlining efforts, and assisting key economic development customers in expediting their permitting processes.

Priority #2. Adopt Sign Code Ordinance Update within 90 days.

- In December 2011 Council approved the Programmable Electric Signs (PES) Pilot Program for the Stevens Creek and Blossom Hill area as well as provided clarity on LED Programmable electric signs adjacent to freeways.

Priority #3. Complete the Airport competitiveness plan and execute the air service strategy to bring additional domestic and international carriers in partnership with the Silicon Valley business community.

- Airport and OED staff have been working with international and domestic airlines to expand service to SJC. New flights were announced:
 - All Nippon Airways (ANA) will establish Tokyo Narita-San Jose flight.
 - Alaska Airlines added air service to Reno, Honolulu, and Palm Springs.
 - Hawaiian Airlines added new air service to Maui.

Priority #4. Pursue plans to develop soccer and baseball stadiums.

- Council approved an Option agreement in order for the Athletics Investment Group LLC to purchase approximately 4.9 acres of property for use as a Major League Baseball park.
- Approved a Planned Development Permit to allow for the construction of an outdoor soccer stadium for the San Jose Earthquakes with a capacity of up to 18,000 people.
- It is anticipated that the Earthquakes, LLC will exercise their option to buy the 14 acre stadium site at FMC because their agreement calls for a \$2 million credit to be applied to the purchase price if the option is exercised before June 30, 2012.

Priority #5. Develop an Implementation Plan to facilitate the goals of the Envision 2040 General Plan.

- In the Summer of 2012, staff will bring several ordinance changes to help facilitate the goals of the Envision 2040 plan including; revision to building height restrictions, creation of an urban village zoning designation, and revising parking standards for mixed-use and supporting commercial use.
- In February 2012, SPUR opened their new San Jose office which provides opportunity to activate of network of informed 'urbanists' to promote good urban design in San Jose.
- The planning and construction of the BART project is progressing on schedule with the award of the design/build contract in December 2011. Groundbreaking will occur in April 2012 with a completion and start of service to Berryessa in early 2017.
- Several Highway Projects are progressing on schedule including the Highway 101/Tully interchange, I880 /Stevens Creek Interchange and Highway 101/Yerba Buena interchange.

Challenges and Opportunities

In general, the citywide economic development team feels positive about accomplishments and opportunities, and is working very effectively together. We want to flag several opportunities and challenges we are experiencing for Council.

- *Best Deployment of Limited Staff.* All CED CSA Departments face daily challenges of how best to deploy limited staff resources for maximum impact and client satisfaction. There is a balancing act between working on significant policy and reporting work, compared with working on client projects and delivering services.
- *Loss of Resources.* Expectations have had to be scaled down with the loss of the staff capacity, program resources, and incentive funds of the Redevelopment agency. OED's entire ongoing operating budget for business development (non-personal resources) is less than \$300,000 for the entire city. As we work through the first full year without

Redevelopment, we will identify any critical needs should additional funding become available in the future.

- *External Partnerships are Essential.* With the elimination of the Agency and cutbacks in City resources, partnerships are essential to extend City capacity, tap outside financial resources, and make city government even more effective and relevant. In the last six months, a variety of partnerships have been strengthened or created. Examples include the San Jose Downtown Association, Silicon Valley Leadership Group, San Jose/Silicon Valley Chamber, 1stACT Silicon Valley, SPUR San Jose, Silicon Valley-China Business Connect, the Choose Downtown partnership, and the public-private collaboration to implement Downtown free WiFi.
- *Influencing State Economic Strategy Post-Redevelopment.* Staff are involved in regional and statewide conversations about new financing tools needed for infrastructure, housing, and economic development. We will be responding to and influencing state legislation and strategy to improve the state's partnership with regions and cities in ways that benefit Silicon Valley.
- *Small Business Development Services Coordinator.* The highest priority for adding a new General Funded position is a Small Business Development Services Coordinator, as suggested in the Mayor's Budget Message.
- *Neighborhood Retail Support.* With the end of Redevelopment funding, the City lost its staff and programmatic funding to work with neighborhood business districts. At some time in the near future, it is important to assess key needs and opportunities and to determine what could be accomplished by potentially adding resources in this area.

COORDINATION

This memorandum has been coordinated with the Department of Planning, Building, and Code Enforcement; Department of Transportation; Public Works; Airport; Environmental Services Department and the Housing Department.

CEQA

CEQA: Not a Project, File No.PP10-066 (a), Staff Report

/S/

KIM WALESH
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Chief Strategist

For questions, please contact John Lang, Development Officer, at (408) 535-8178.