



COUNCIL AGENDA: 11-06-12
ITEM: 4.5

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Dennis Hawkins, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: 10-23-12

**SUBJECT: DEVELOPMENT SERVICES UPDATE AND ECONOMIC STRATEGY
"TOP 5" WORKPLAN PRIORITIES**

RECOMMENDATION

As recommended by the Community and Economic Development Committee on October 22, 2012 and outlined in the attached memos previously submitted to the Community and Economic Development Committee:

- (a) Accept the status update on Development Services activity, performance measures, and other activities; and
- (b) Accept staff's report on the progress implementing the "Top Five" highest workplan priorities for the Economic Strategy.



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: JOSEPH HORWEDEL

**SUBJECT: DEVELOPMENT SERVICES
UPDATE**

DATE: October 10, 2012

Approved

Date

Oct. 11, 2012

COUNCIL DISTRICT: Citywide

At the Committee's meeting on October 22, 2012, City staff will provide a status update on Development Services activity, performance measures, and other activities. This will include an update on specific projects that have used the City's coordinated and expedited review services. The Committee is encouraged to participate in the discussion.

/s/

JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement

For questions, please contact Laurel Prevetti at 408-535-7901.



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Kim Walesh
Joseph Horwedel

SUBJECT: ECONOMIC STRATEGY
"TOP 5" WORKPLAN PRIORITIES

DATE: October 12, 2012

Approved

Date

10/15/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Accept staff's report on the progress implementing the "Top Five" 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. On March 26th, 2012, staff presented a progress report to the CED Committee about the first six months of workplan implementation and identified challenges and opportunities. This report covers the most recent period.

ANALYSIS

Staff from the Community and Economic Development CSA Departments continue to make significant progress on achieving the Top Five workplan priorities. This memorandum provides performance highlights for each of the five priority areas.

Overall, the CED CSA team has made substantial progress implementing the major policy incentives Council adopted earlier this year and streamlining processes to accelerate leasing and investment. The team has strengthened relationships with driving industry companies, real estate brokers, property owners and developers to clearly communicate that San Jose wants their business. As the markets north of San Jose become constrained, San Jose is well positioned to attract mid-range companies (50,000-100,000 square feet) as well as the next round of larger development projects.

The team has advanced landmark projects that will positively affect San Jose for years to come. For example, new housing production in North San Jose exceeds over 4,500 units. After a rigorous review of alternatives, Samsung announced plans to build a 600,000 square foot R&D

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center in North San Jose. The Earthquakes finalized purchase of land from the City for their Major League Soccer Stadium and announced their October 21 groundbreaking. All Nippon Airways (ANA) announced their new route from San Jose to Tokyo, with one-stop service to major cities throughout Asia. The BART-to-Berryessa project broke ground.

The accomplishments highlighted below were achieved despite a very challenging operating environment with low staff levels relative to economic activity, higher turnover and vacancies, and the need to manage hiring processes. All CED CSA Departments face daily challenges of how best to deploy limited staff and financial resources for maximum impact and client satisfaction. CSA leaders continuously prioritize and re-prioritize work assignments. In order to excel at key assignments, there is recognition that some projects will need to deploy more slowly and or not at all.

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*

Projects and Outreach

- *STI/ITI Projects.* Since the last update in March 2012, Development Services staff have processed more than 270 STI/ITI projects including Adobe, Advantest, Cisco, Flextronics, Hitachi GST, Lam Research, Polycom, Qualcomm, Valin, Valley Fair, Ellis Partners, Cavalia, LSI, Kaiser Medical and Freeland Foods.
- *Driving Industry Business Outreach.* By the end of FY 2012-2012, staff had conducted 285 business outreach meetings with driving industry companies, and associated follow up actions. Since July 1, staff has met with 80 companies. Examples of companies include Tivo, PayPal, Flextronics, Cisco, Valin, Malware Bytes, Varentec, Synaptics, and FPG Development. In addition, staff has met with numerous brokers, property owners, developers, and tenant representatives.
- *Major Development Projects.* Staff has been working with developers and companies on their growth and expansion plans in San Jose including Ellis Partners, Cisco Systems, Samsung and Maxim Integrated Products. In addition, staff is assisting and facilitating the building of a 220,000 square foot office building at Santana Row.
- *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. The project will bring \$750,000 annually in new sales tax revenue to the city.
- *Samsung Semiconductor.* On August 12, the State of California, County of Santa Clara and City of San Jose signed a Memorandum of Understanding with Samsung Electronics (Semiconductor Unit) outlining Samsung's intent to expand their semiconductor research and development facilities in North San Jose. The facility would nearly double in size from its

existing 300,000 square feet building footprint and would be the first new mid-story office building in North San Jose.

- *North San Jose Housing.* There are 7,826 units entitled with roughly 4,500 units of housing finalizing construction in North San Jose.
- *Advanced Manufacturing.* Staff met with a range of manufacturing firms including original equipment manufacturers, supply network manufacturers and contract manufacturers, and with their input produced a five-part strategy to retain and strengthen San Jose's extensive capabilities in advanced manufacturing. This work includes promoting more widespread use of city programs that can reduce operating costs, forging connections between manufacturing service companies and emerging technology companies, developing new partnerships to prepare residents for manufacturing careers, preserving the diversity of industrial lands and viability of manufacturing facilities, and continuing to inform state and federal policy discussions about the extensive, successful manufacturing sector in San Jose.

Policy Incentives

- *Reduction in Construction Taxes.* In January 2012, City Council temporarily suspended the construction taxes for Office R&D and other industrial uses, providing a more favorable leasing environment for technology tenants until March 15, 2014. This policy change attracted significant interest from the real estate community and has been a decisive factor in projects including IBM, Silicon Valley Center, Orchard Parkway, Synaptics, Flextronics, Polycom, and move.com.
- *Reduction in Traffic Impact Fee.* 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. Staff expects that applications will be filed that exceed 1,000,000 square feet of new space by the end of the year, necessitating future Council consideration of a possible extension.
- *Downtown High Rise Incentives.* On May 15, 2012, City Council approved a range of incentives for high rise projects. Incentives for residential downtown high rise projects include a 50% reduction in taxes, fee deferral until occupancy, and continuation of park fee reductions and suspension of affordable housing requirements. Commercial high rise projects benefit from the reduction in construction taxes. This Policy has resulted in developers of a few potential residential high-rise developments seriously considering moving forward soon to take advantage of the incentives.
- *Expedited Foreign Trade Zone for Manufacturers.* The Office of Economic Development received approval on their Alternative Site Framework application to the Foreign Trade Zones Board (part of the U.S. Department of Commerce) to re-organize the City's Foreign Trade Zone and designate the entire City of San Jose as the Service Area. Staff is working with companies to activate more sites as Foreign Trade Zones under the expedited process to help them save operating costs.

Working at the Speed of Business

- *Clarifying Processing Times.* Development Services has updated standard processing timelines to provide greater certainty to developers. Development activity in 2012 is greater

than recent years, resulting in longer processing times for Planning and Building Plan Review. As discussed in the next item, staff resources are being added to meet the demand and return to delivering service at the published timelines. In other service areas, Building Inspections are back to next day inspections, and all of Public Works, Fire Plan Check and Inspections are back on target.

- *Additional Development Services Staff.* In January and June 2012, Council approved additional staffing in Development Services to address the increased demand in development activity. This resulted in reinstating experienced and hiring new Inspectors, Plan Reviewers, Planners, Fire Engineers and other classifications. Due to the City's hiring and recruitment processes, retirements, and resignations, positions are still in the process of being filled. The hiring is returning San Jose to a core level of staffing to meet performance targets. In addition, Development Services is selectively using retiree rehires and consultant services to address "peak" staffing needs. These flexible staffing resources enable the City to scale its workforce to meet the demands of the customer, ensuring consistency, quality and timely products by locating the consultants in City Hall under direct City supervision.
- *Development "Concierge" services* will be provided by two new permanent City positions. The Project Expeditor provides a point of contact for large economic development projects needing assistance in coordinating project approvals, resolving issues, and other expediting services. The Small Business Ally is the point of contact for smaller economic development projects, assisting with the permit process and working closely with the Downtown Association and other business groups citywide. Recruitments are underway for these two City positions in collaboration with the San Jose Downtown Association's recruitment for a Business Manager who would work seamlessly with the City's Small Business Ally.
- *The Customer Service Initiative* articulates a partnership approach to the delivery of Development Services in San Jose. City staff are expected to work collaboratively with their customers to resolve issues, meet timelines, and ensure quality outcomes. As a partnership, customers are expected to submit complete plans and do their part to address issues. A work plan of short, medium, and long term items was developed with input from the development community and staff, and is now being implemented. In addition, San Jose is continuing to explore other customer service enhancements.
- *Expedited Services.* The Building Division continues to offer coordinated and expedited services including the popular Special Tenant Improvement and Industrial Tool Installation Programs. The Planning Division has begun to offer expedited services to economic developments projects that meet certain criteria.
- *Municipal Code Changes.* Several ordinances adopted by Council at the end of 2011 and through 2012, are resulting in streamlined processing for a variety of businesses, alignment of the Zoning Code with the Envision San Jose 2040 General Plan, deregulation of farmer's markets, and other code updates.
- *Streamlined Real Estate Sales.* In February 2012, City Council approved the improved process and approach to disposition of City property. In October 2012, Council will consider the municipal code changes needed to implement these improvements.

- 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.
- In June 2012 Council approved additional changes to the sign code related to signage for Assembly Spaces, skyline signs, vertical projecting signs and Programmable Electronic Signs (PES).
- In September 2012, Council approved changes to the sign code related to canopy signs for gas stations and increased the maximum allowable size of PES consistent with Council's June action.

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 are executing a strategy to recruit new international and domestic air service in partnership with the Silicon Valley business community
- All Nippon Airways (ANA) will launch the Tokyo Narita-San Jose flight on January 11, and plans are underway with many partners to actively promote the flight.
- Airport and OED staff met with thirteen carriers at the annual Routes Conference in October 2012 to make the case for new service at the San Jose Mineta International Airport for the Silicon Valley business community.
- Hawaiian Airlines added additional air service to Honolulu and Maui. Alaska Airlines has added air service to Reno, Honolulu, Maui, and Palm Springs.
- The Westside Air Service Development RFP was released, seeking respondents to develop and operate aeronautical services facilities to service general aviation activities.

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

- The City approved a Planned Development Permit to allow for construction of an outdoor soccer stadium for the San Jose Earthquakes with a capacity of up to 18,000 people.
- City Council approved the development of four community soccer fields to be built adjacent to the proposed Earthquakes stadium.
- The Earthquakes exercised their option to buy the 14-acre stadium site at Airport West from the City and established their groundbreaking for their new stadium on October 21, 2012.
- The Diridon Station Plan EIR is moving forward and is scheduled for Council approval in June of 2103.

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

- In addition to the ordinances mentioned earlier in this report, during the Fall of 2012 staff will bring more ordinances to Council to facilitate the implementation of the Envision 2040 Plan. These include further allowances for taller buildings, incentives for car sharing and Ecopasses, and additional process streamlining to aid business establishment. In 2013, other ordinances will be coming forward including the creation of urban village zoning designation(s), mobile vending, and other items.
- Urban Village Plans are underway including the Diridon Station Area, Five Wounds Neighborhood, The Alameda, Bascom Avenue, San Carlos Street, and Stevens Creek

Boulevard. In mid-October, the Urban Village team became fully staffed, providing capacity to start the stakeholder engagement processes this fall for The Alameda, Bascom Avenue, and San Carlos Street.

- The City received its first Signature Project proposal for a site on Stevens Creek Boulevard. To facilitate the developer's consideration of potentially moving forward, staff has begun to analyze the specific development capacity of the corridor from 280 to Winchester, assuming that the car dealerships remain in place. The discussions and analysis have jumpstarted the Urban Village Plan for this corridor, consistent with Council direction to complete Village Plans for market ready locations.
- San Jose is making significant progress implementing car sharing, bicycle sharing, new bicycle lanes, and trail investments to provide mobility access and transportation choices in the city, consistent with the Envision 2040 Plan.
- Groundbreaking for BART to Berryessa occurred in April 2012. The first phase of construction on Penitencia Creek as well as multiple utility relocations started in June 2012. The construction of track way facilities in San Jose is scheduled to start by early 2013 with a start of service to Berryessa in early 2017.
- Construction contracts for the I-880/Stevens Creek Interchange were awarded by the Valley Transit Authority in September 2012. The project will consist of reconfiguring the I-880/Stevens interchange and widening Stevens Creek Boulevard and will be completed in 2014.
- In February 2012, SPUR opened their San Jose office and their public programs are attracting strong turnout. They recently announced a new project to help ensure a good transition to high-quality, more urban development forms as Envision 2040 is implemented.

Additional Items Completed Under the 18-Month Workplan

- Secured a seat on the Metropolitan Transportation Commission (MTC), the Bay Area's federally designated metropolitan planning organization
- Established a City steering committee for a "one voice" approach to SB 375 implementation of the Sustainable Communities Strategy, Regional Transportation Plan, and Regional Housing Needs Allocation.
- Secured a seat on MTC's Steering Committee for the implementation of a US Housing and Community Development grant for regional economic prosperity, affordable housing, and equity.
- Began to work with the Silicon Valley Leadership Group on legislative efforts to streamline the California Environmental Quality Act.

COORDINATION

This memorandum has been coordinated with the Department of Transportation; Public Works; and the Housing Department.

Community and Economic Development Committee

October 12, 2012

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CEQA

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

/s/

KIM WALES
Director of Economic Development
Chief Strategist

/s/

JOSEPH HORWEDEL
Director of Planning, Building
and Code Enforcement

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

**Economic Strategy
18-Month Implementation Workplan
(October 2011-June 2013)**

"Top Five" Actions are highlighted

Action	Team
#1 Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure	
1.a – Engage and partner with 250 companies that represent key targets for job and revenue growth.	OED/Agency
1.b – Partner with local companies, associations, and agencies to promote San Jose as a desirable location in Silicon Valley.	OED
1.c – Develop a business plan for the successful launch and operations of the Clean Tech Demonstration Center at the new San Jose Environmental Innovation Center.	OED/ESD
1.d – Make revisions to the Development Agreement ordinance to improve flexibility and effectiveness.	CAO/OED
#2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality	
2.a – Advance destination retail projects on existing sites through the planning stage, including Almaden Ranch, Evergreen Arcadia, and Hitachi Cottle Road.	OED/PBCE
2.b – Adopt the new sign code ordinance to improve the marketability of businesses.	PBCE/OED
#3 Preserve and Strengthen Manufacturing-Related Activity and Jobs	
3.a – Preserve and promote industrial lands such as Heavy Industrial and Light industrial by aligning land use decisions with the Preservation of Employment Lands Framework and incorporate appropriate protections in the Envision 2040 Plan.	PBCE/OED
3.b - Develop a support program directed at San Jose's comparative advantage in contract manufacturing and manufacturing support industries.	OED
#4 Nurture the Success of Local Small Businesses	
4.a – Actively promote BusinessOwnerspace.com (BOS) as the core element of San Jose's small business support strategy.	OED/work2future
4.b – Implement Shop San Jose social media campaign to improve small business success and drive revenue to the City.	OED/work2future
4.c – With the SJSU Research Foundation, prepare a transition plan for the incubator programs that eliminates rental subsidies for the two buildings that are subleased from the Agency by the end of the 2011-2012 fiscal year.	Agency/OED
#5 Increase San Jose's Influence in Regional, State and National Forums in Order to Advance City Goals and Secure Resources	
5.a - Increase San Jose's effectiveness in using regional agencies/forums to advance city goals and secure financing from regional, statewide, and national sources.	CMO/OED/Regional Influence Team
5.b – Secure a seat on the Metropolitan Transportation Commission, the Bay Area's federally designated metropolitan planning organization.	DOT/Regional Influence Team
5.c - Provide a one voice approach on SB 375 implementation by actively influencing and shaping implementation of the Sustainable Communities Strategy and Regional Housing Needs Allocation.	Planning/Housing/Regional Influence Team

#6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San Jose	
6.a –Improve San Jose’s competitiveness for commercial/industrial leasing and new development through realignment of impact fees and taxes.	PBCE/OED/Budget/DOT
6.b - Retain and improve the Expedited Planning Permit and continue to reorganize and streamline the development review process.	PBCE
6.c – Initiate the Enhanced Development Plan Check submittal process to provide customers with clear guidance about how to obtain the necessary development services permit.	Development Services
6.d - Continue aggressive promotion of the Enterprise Zone and Foreign Trade Zone to reduce business operations costs, and pursue other state and federal assistance programs to support new development and business attraction and expansion.	OED/Agency
#7 Prepare Residents to Participate in the Economy Through Training, Education, and Career Support	
7.a - Through <i>San Jose 2020</i> , convene education, business, and nonprofit leaders to develop a plan to better align existing resources around shared goals to increase the rate of high school graduation in San Jose, the share of high school graduates prepared for college, and the share of graduates that enter and complete post-secondary education.	Mayor’s Office/work2future
7.b - Create partnerships between employers, K-12, community colleges, pre-apprenticeship and apprenticeship programs, and institutions of higher learning. Examples include a system that can steer low-income people towards careers in the green economy.	work2future
7.c - Through work2future, provide occupational assessment and counseling services to people that advance to middle-income jobs through identification of both career ladders (sequential positions) and career lattices (transferable skills).	work2future
#8 Advance the Diridon Station Area as Key Transportation Center for Northern California	
8.a – Develop an Implementation plan around the adopted Diridon Station Area Plan, including preparation for a potential master developer.	DOT/OED/Planning
8.b - Support Valley Transportation Authority (VTA) to extend BART service to Berryessa, Downtown San Jose and Diridon Station.	DOT
8.c - Facilitate planning and future development of the California High Speed Rail project with service to Downtown San Jose.	DOT/OED/Planning
#9 Keep Developing a Competitive, World Class Airport, and Attract New Air Service	
9.a – Maintain a cost-competitive, efficient and attractive airport that can successfully compete with airports in the Bay Area and across the nation in recruiting carriers and flights to serve Silicon Valley.	Airport
9.b - Execute strategy to recruit new international and domestic air service, in partnership with the Silicon Valley business community.	Airport/OED
9.c - Pursue private-sector development of the Airport’s west-side property to support projected Silicon Valley business general aviation demand.	Airport
#10 Continue to Position Downtown as Silicon Valley’s City Center	
10.a - Continue to create a vibrant and safe environment that attracts a diverse range of residents and visitors.	Public Works/OED

10.b - Position Downtown San Jose as an easy-to-access, competitive work environment for start-ups, scaling businesses, and freelancers by highlighting our innovation and creativity.	OED/Agency
10.c - RETENTION- Maintain a dialogue with existing downtown businesses and build relationships and information base through in-person visits.	OED/DOT/PD/OCA
10.d – Provide oversight and enhance competitiveness and success of the San Jose Convention Center, Convention and Visitors Bureau and the City's Downtown Cultural Facilities.	OED/PD/CAO/Housing
#11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent	
11.a - Complete the General Plan Update, which locates new employment and housing in pedestrian and bicycle friendly, mixed-use villages and transit corridors and villages supported by parks and other amenities.	PBCE
11.b – Develop an Implementation Plan to catalyze development in target mixed-use growth areas under the Envision 2040 General Plan and attract developers and resources.	PBCE/OED/PRNS/DOT/Housing
11.c – Encourage neighborhood-serving retail that supports a diverse set of needs, including access to healthy foods.	PBCE/OED/PRNS/DOT/Housing
#12 Develop a Distinctive Set of Sports, Arts, and Entertainment Offerings Aligned With San Jose's Diverse, Growing Population	
12.a - Enable construction of the San Jose Earthquakes major league Soccer Stadium on the Airport West property.	OED/PBCE
12.b - Continue planning for Major League Baseball facility in the Diridon station area.	Agency/OED/DOT/PBCE
12.c – Support production of high-profile events and performances in San Jose in partnership with the San Jose Sports Authority, Team San Jose, and other private and non-profit sponsors.	OED/DOT/PD