

Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

FROM: James R. Helmer
John Weis

**SUBJECT: PROGRESS REPORT ON THE
PROPOSED ELECTRONIC
TRANSPORTATION DEVELOPMENT
CENTER**

DATE: August 31, 2005

Approved

Ray Winer

Date

9/2/05

RECOMMENDATION

Accept an information report and update on staff efforts to further a proposal to create an Electronic Transportation Development Center (ETDC) in San José. The goal of the ETDC would be to design, develop, prototype and commercialize alternative fuel and hybrid vehicles by integrating established and emerging computer and communication technologies. Implementing the proposal could position San José in the national arena as a leader in the advanced electronics transportation industry sector and impact both the national homeland security and the energy and environmental agenda. If implemented successfully, the ETDC can potentially develop a new industrial sector in San José, create new jobs, encourage new business formation and growth of existing advanced transportation technology companies, provide greater security for ground transportation and enable clean and renewable fuels to reduce dependencies on foreign oil.

The long-term goal of this project, which calls for the creation of a development center, would maximize past and current public investments in the technology parks, further diversify the local economy, and achieve San José's economic development, transportation, and environmental policies and initiatives. It is assumed that the development center would be located in a Redevelopment Project Area.

The project is consistent with the San José Sustainable Energy Policy, the Economic Development Strategy, and the Legislative Policy on Transportation, which support the development, production and use of hybrid engines and other clean energy sources in San José.

BACKGROUND

The San José Environmental Business Cluster was retained by the Redevelopment Agency to prepare a Business Plan for the creation of the ETDC in the fall of 2004. Consultant findings were presented to the Building Better Transportation Committee in November 2004. The

business plan was prepared to develop the vision, approach and strategy for building a new high technology ground transportation sector in San José. Research efforts during the preparation of the plan suggested that the proposal had a great deal of merit, and further suggested that San José should take a leadership role in this venture and leverage established and emerging technologies in local electronics and software industries to promote safer, cleaner and more efficient transportation systems.

The business plan identified a 3-phased strategy as follows:

Phase 1

Determine the most appropriate established technologies to further the goals of the ETDC.

Phase 2

Develop a demonstration vehicle or mobile laboratory that integrates clean energy and homeland security technologies.

Phase 3

Create a facility where both early stage entrepreneurs and established companies would partner to stimulate research and development for advanced electronics and transportation.

Implementation costs for the 3-phased approach were estimated at \$280,000 for Phase 1, and \$1.5 million for Phase 2 which would be financed through grants and other federal and state financing mechanisms. Assumptions were made that Phase 3 would be facilitated with a private land owner or development company.

The Redevelopment Agency invested \$30,000 to prepare the business plan and funded portions of the Phase 1 work scope at a cost of \$35,000. This effort included developing a survey, interviewing established technology companies and promoting the ETDC initiative at the 2005 San José International Car Show in January 2005. The BBT Committee expressed its interest in furthering the goals of the proposal, and recommended additional interviews with local technology companies to verify participation and interest in the proposal, and requested staff to pursue alternative sources of funding to finance the remaining tasks associated with Phase 1.

This staff report outlines activities conducted since the November 2004 BBT Committee meeting, a progress report on the ETDC proposal, and discussion of next steps.

ANALYSIS

Progress Report

1. Surveys and Interviews

An in-depth analysis of established technologies in Silicon Valley identified 46 companies in San José and adjacent cities that develop 30 relevant and appropriate technologies. These technologies support homeland security and provide solutions in the energy and environmental arena. 30 high tech companies were interviewed, most of which endorsed the concept of the proposed project and intimated interest in further discussing their participation in the project. Nine companies have submitted letters of support including United Defense, Anuvu, Telcontar, Lunileds Lighting, Sanmina, RAE Systems, Applied Materials, Echelon and Megaforce. The American Lung Association and Congressman Richard Pombo have also provided letters of support. The project has

been presented to Congresswoman Zoe Lofgren, the California Environmental Protection Agency, the Silicon Valley Clean Cities Coalition, and PG&E.

2. Auto Show

The San José International Auto Show hosted between January 5-9, 2005, attracted over 300,000 vehicle enthusiasts to the McEnery Convention Center. Agency staff and the consultant team presented the ETDC at a booth which attracted an estimated 5000 people over the 5-day period. Engineers and scientists representing 40 Silicon Valley/San José tech companies communicated their desire to be involved with the proposed project.

Next Steps

1. Find more opportunities in energy, environment and homeland security technologies

Research efforts over the past 9 months have found that over 7000 technology companies located in the Silicon Valley could potentially be partners on the ETDC project, including small companies of less than 10 employees and sales of less than \$1 million per year, up to companies as large as Sanmina, Cisco, Applied Materials and IBM. Many of these primary partner candidates are San José companies. It is critical to meet with these companies to determine ways to transfer technology and expertise to help address vehicle energy and environment and ground transportation issues.

2. Design exhibits and build a demonstration bus

This task includes developing and building a mobile demonstration laboratory with Silicon Valley technologies integrated into the vehicle. It would serve as a showcase lab for ground transportation and demonstrate energy efficiency and anti-terror technology. Both young and established companies identified in task (1) above would partner to deliver this scope of work. No funding has been identified for this effort although it is assumed that the ETDC will be eligible for Federal and State funding.

3. Begin site assessment and design facility to house the ETDC

Staff envisions locating the ETDC in an appropriate Redevelopment Project Area. The center would be a place dedicated to research and development of commercial technologies for the advanced electronics transportation industry. This task will require facilitating discussions with local developers that could lead to a suitable agreement on housing the ETDC in Rincon, Edenvale, Monterey Corridor, Julian Stockton or the Olinder industrial areas. Agency financial assistance would only be available if the ETDC were located in a Redevelopment Project Area and would also be limited to items authorized under State Redevelopment Law.

4. Seek public and private sources of funding to further the goals of the ETDC project

Funding for each of these tasks is currently not available. Every effort has been made to seek alternate sources of funding as recommended by the BBT Committee in November 2004. Progress in this regard is outlined below:

- Applied Materials has offered to provide funding in this regard.
- PG&E has also intimated their interest in financially supporting the project. The ETDC project has been submitted for consideration of a \$10,000 PG&E 2006 Local Economic Development Grant which is currently in review.

- Staff is also working with the State Economic Development Administration representative to apply for federal assistance. The pre- application for federal investment assistance under EDA programs is being drafted for submittal at the end of September 2005. If the ETDC proposal meets with statutory, regulatory and competitive selection criteria, staff will be invited to submit an application. The pre-application and application involves significant staff times and coordination with other local, state and federal agencies. Funding in an amount of \$250,000 in federal assistance is being requested. If the EDA awards the grant, a local match of \$75,000 and up to \$90,000 in private and in-kind sources would need to be generated.

OUTCOMES

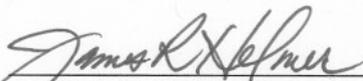
The results of the interviews and auto show experience have been positive. The project has been endorsed because local tech company representatives feel that the proposed ETDC would generate new markets for established computer and communication companies, foster organizational synergies, and deliver technologies that would result in major transportation improvements and less dependence on foreign oil supplies. Most interviewees were pleased with San José taking a leadership role in the transportation electronics industry and were interested in supporting a first-of-a-kind Silicon Valley technology center clustered around homeland security and energy and environmental issues.

PUBLIC OUTREACH

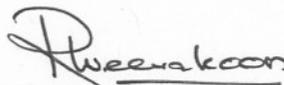
A list of Silicon Valley/San José companies that have been contacted in this regard is attached.

COORDINATION

This project will be jointly managed by the City's Department of Transportation (under supervision of the City Manager's Office) and the Redevelopment Agency. The project has been coordinated with staff of the Office of Economic Development, the City Department of Environmental Services, and the Agency's General Counsel.



JAMES R. HELMER
Director, Department of Transportation



JOHN WEIS
Deputy Executive Director

Attachment

LIST OF COMPANIES

Candidates Interviewed and Those with Relevant Technologies

TelConTar
Lumileds
ANUVU Fuel Cell
Sanminz-SCI
CTC- United Defense
Echelon
Apple Computer
Applied Materials
Cisco Systems
Synchronex
Motorola
Automation Controls
Autosense International
Google
Atmel Corporation
Hitachi Storage Systems
KLA-Tencor
Northrop Grumman
Adobe Inc.
Altera Corporation
M/A Com Tyco Electronics
Sony America
Solectron
BEA Systems
Brocade Communications
Teradyne
Guzik Technical
A&E Building Company
VTA
Scale Design
Stanford University
MiraPoint
Luminous Networks
ImproveSoft
D&N Precision
Fraudulent Electronics
Shook Design
Center for Employment Training
Zone 24x7
Sun Microsystems
Foundry Networks
LSI Logic
nVidia
Wyse Technology