COUNCIL AGENDA: 11-09-04
ITEM: 4.2

DRIVING A STRONG ECONOMY COMMITTEE

Executive Summary
October 25, 2004

The meeting was convened at 1:33 p.m.

Members Present: Chair Forrest Williams, Councilmember Chuck Reed, Councilmember Judy Chirco

Absent: Vice-Chair Terry Gregory

Staff Present: Mark Linder, Ed Moran, Kim Walesh, Stephen Haase, Phil Prince

1. Development Services Program Status Report (Planning, Building & Code Enforcment)

The Committee accepted staff's report and recommended staff to cross-reference this item at the November 11, 2004 council meeting.

2. Secondary Units (Housing)

Upon motion by Councilmember Chirco, and seconded by Councilmember Reed, the Committee accepted staff's request for deferral of "Secondary Units" to November 29, 2004.

3. International Economic Development Activity (Office of Economic Development)

Upon motion by Councilmember Reed, and seconded by Councilmember Chirco, the Committee unanimously accepted the staff report.

4. Oral Petitions

Olga Enciso-Smith, Restaurant and Gallery owner of Machu Picchu, requesting relocation assistance for her business.

5. Adjournment

Meeting was adjourned at 2:47 p.m.

Forrest Williams

Forrest Williams, Chair
Driving A Strong Economy Committee

COUNCIL AGENDA: 011-09-04
ITEM: 4.2

DRIVING A STRONG ECONOMY COMMITTEE
Report
October 25, 2004

Members Present: Chair Forrest Williams, Chuck Reed, Councilmember Judy Chirco

Absent: Vice-Chair Gregory

Staff Present: Mark Linder, Ed Moran, Kim Walesh, Stephen Haase, Phil Prince

The meeting was convened at 1:33 p.m.

1. **Development Services Program Status Report (Planning, Building & Code Enforcement)**

Stephen Haase, Director of Planning, Building and Code Enforcement, and Phil Prince, Administrative Officer, Planning, Building and Code Enforcement, presented this staff report. The report provides an overview of the performance of the City's development review process in FY 2003-04 after establishment of the following five long-term goals:

1. Make San Jose the best place in America to do business
2. Continuous improvement through an ongoing dialog and partnership with customers
3. Fiscal stability for the development fee programs
4. Provision of enhanced service options
5. A consistent, predictable, and timely development process

A new partnership with development customers was formed in 2002. The San Jose Silicon Valley Chamber of Commerce's Development Committee has served as an advisory panel for the City's development service partners. In addition to this committee, outreach on fee and resource proposals for the 2004-05 budget was conducted with the Home Builders Association of Northern California, the American Institute of Architects of Santa Clara Valley, the National Association of the Remodeling Industry, and the National Association of Office and Industrial Properties. One of the most important goals of this outreach is to build a level of trust with customers that will allow the kind of honest and specific feedback the development partners need to continue to make process improvements.

Because of the fee increases approved over the last three years, the City's development service providers are more financially stable and able to maintain their core staffing through the economic downturn. Careful cost management allowed the Department to reach full cost recovery for development services in 2003- 2004 and re-establish a small fee reserve. In the Building Division, the combination of increased revenue from the popularity of the enhanced service options and overtime savings resulted in a 116% cost recovery level. This has enabled staff to improve performance and maintain the ability to be competitive in providing services as activity increases. A number of important service commitments to the development community have been accomplished and others are well under way. Processing times and process predictability have improved, the fee programs are closer to financial stability, and customers are frequently choosing the new enhance service options. In collaboration with the Home Builder's Association of Northern California, the first ever South Bay Area Cost of Development Survey was completed in early June 2004. The survey compares costs for development service fees, impact/capacity fees, and development taxes on five sample projects for seven south bay cities. The seven cities surveyed are: Fremont, Los Gatos, Milpitas, Morgan Hill, Palo Alto, San Jose and Santa Clara. The survey results showed San Jose has a higher development tax burden than the other cities and the service fees run from the mid-range to lower on the sample projects. The survey is posted on the City's website.

Councilmember Reed asked how park fees were collected. Director Haase responded that within the Impact Capacity, park fees are collected as established under state law. Councilmember Reed asked how to interpret the 'Cost Development Comparison' chart. Director Haase responded that the one clear interpretation is that staff needs to be sensitive to not create a barrier whereby homeowners remodel without a permit, given the relatively higher fee for San Jose home remodels. Councilmember Reed stated perhaps the fees for developers of multi-family units could be reduced to encourage development of higher density housing. Director Haase responded that developers generally have a higher return on their investment on a single-family unit, but the City does benefit from the higher density fees because the creation of parklands increase the value of a community.

Councilmember Chirco asked why home remodel fees were so much higher. Director Haase responded that the fees collected and reflects the cost for staff to administer a particular permit.

Chair Williams commented that the improved process has truly guided the quality of life for the City and the further development of remodeled and new housing, and commercial buildings.

Beverly Brian, from the Home Builders Association, spoke to the committee about the positive changes and the new partnership between the development community and the city staff. She looks forward to a continued partnership with City staff.

Councilmember Reed provided some feedback on the charts and how they could best be interpreted. Director Haase responded that this was their first attempt at creating a visual on the collected data, and that future charts would provide footnotes and other labels. Councilmember Reed applauded the accomplishments staff has achieved with regards to substantial improvement to performance measures and targets and exceeding some goals. He recommended that Staff be prepared to highlight some of these accomplishments the next time this committee reports out to the full Council and to include color graphs. Councilmember Reed also encouraged that participants for the survey remain anonymous.

Councilmember Chirco also acknowledged the achievements staff has made on improving development services processes.

Councilmember Reed asked how did San Jose compare on the survey on Industrial fees. Director Haase responded that Palo Alto overall had the highest fees. In comparison to Santa Clara, fees in San Jose were almost 50% lower. Milpitas is about the same as San Jose.

The Committee requested cross-reference of this item at the November 9, 2004 Council meeting.

The Committee accepted staff's report on, "Development Services Program Status Report".

2. **Secondary Units (Housing)**

Upon motion of Councilmember Chirco, seconded by Councilmember Reed, the Committee accepted staff's request for deferral for, "Secondary Units" to November 29, 2004.

3. **International Economic Development Activity (Office of Economic Development)**

Kim Walesh, Assistant Director from the Office of Economic Development (OED), presented this staff report. Silicon Valley is viewed as one of many interdependent regional economies that collaborate as well as compete with each other to launch, attract, and support innovation-based businesses. San Jose's Economic Development Strategy identified: "Forge Connections to Innovation Regions Globally for Mutual Benefit", as one of the 15 strategic initiatives. San Jose's Sister City Program began as a cultural exchange but has recently evolved to recognize the need to cultivate economic development-related potential. In July 2004, OED led a delegation to Dublin to promote San Jose as a location for bioscience companies, presenting our

incubator as 'landing pad for European-based companies'. Pune, India is an up-and-coming region of India with a large concentration of Indians living here in Silicon Valley.

Focus on key innovation regions where a sister-city relationship does not exist, is another priority OED has been pursuing internationally. Cultivating an economic relationship to identify collaboration opportunities have been pursued with Cambridge, England – one of Europe's main bioscience and information technology center.

OED is working with the Airport to develop international flights to Asian and European gateway cities. With the support of our area's major business associations, a proposal was submitted on October 13 for air cargo service between Mineta International Airport and Shanghai and Guangzhou China.

OED continues to host to international delegations. In the past year, OED staff has met with more than 40 delegations that come to learn from and explore partnerships with Silicon Valley companies and assisted in managing protocol functions for the City.

International activity in the next 12 months will focus on the following goals:

- Attract bioscience companies to San Jose, including to the incubator;
- Raise San Jose's international recognition and awareness;
- Develop new relationships with innovation regions where San Jose companies have a strong presence or where San Jose people have strong relationships.

Councilmember Reed asked about the value of meeting with foreign delegations and cautioned staff to be sensitive in the development of future Vietnamese relations, with regards to the feelings of existing Vietnamese living in San Jose. Assistant Director Walesh replied that OED is working on streamlining the way the City meets with visiting foreign delegations and finds value in continuing to streamline the meetings. A local CEO participating in the recent Business Appreciation effort, asked for several of the presentation slides that he could work into his presentation when traveling abroad to bring business to San Jose. This kind of leverage helps bring the City's message beyond our city borders.

Councilmember Chirco expressed an interest in determining how staff can yield more value from the Sister City program in future updates.

Chair Williams stated that the City should continue to work with emerging countries as evidenced with China's demand for steel today to build its infrastructure. In the future there will be other opportunities, and the City needs to be positioned in economic relationships to pursue them.

Councilmember Reed asked about direct involvement with consulates themselves. Assistant Director Walesh responded that OED has met directly with consulates and the real challenge is that the majority of consulates are located in San Francisco. Future plans are to bring consulate groups down to San Jose for a presentation and visit to places such as the incubator center, to acquaint them with the business opportunities San Jose presents.

William Garbett, The P.U.B.L.I.C, spoke about the need of San Jose identifying a uniform identity.

Upon motion of Councilmember Reed, seconded by Councilmember Chirco, the Committee accepted staff's report on, "International Economic Development Activity".

4. **Oral Petitions**

Olga Enciso-Smith, Restaurant and Gallery owner of Machu Picchu, requested assistance from the Committee in relocating her business within downtown San Jose. Mark Linder offered her his assistance.

5. **Adjournment**

The meeting was adjourned at 2:47 p.m.

Forrest Williams

Forrest Williams, Chair
Driving a Strong Economy Committee