



Memorandum

TO: City Council/Redevelopment Agency **FROM:** Mayor Ron Gonzales
Board

**SUBJECT: Mayor's Recommendations to
Get Families Back to Work Now**

DATE: September 11, 2003

Approved

Date

RECOMMENDATION

I recommend that the City Council approve the direction to the City Manager and the Redevelopment Director as outlined in this memo for taking concrete steps to transform the City's role to help job creation and economic recovery in the timetable indicated.

BACKGROUND

Time for Bold Action

Business as usual is over at San José City Hall. During the study sessions, we heard it is time for bold actions at City Hall that demonstrate leadership and focus.

We must take the pledge as a City Council to concentrate on solutions – not problems. We must be a facilitator for job creation, not an obstacle. The City of San José must do everything within our power to encourage the location of jobs in San José for the benefit of our residents and employers, and do everything we can to get out of the way of what businesses do best: create jobs. San José should be the location of choice.

We need one overall approach to city land use policy and the way we interact with business. The City Council should set overall policies, not micromanage them. We need consistency, professionalism, and timeliness from the Mayor and Council and the Administration to speak with one voice no matter which door our customers and our businesses enter.

Although we heard more than a hundred specific suggestions, we also heard persistent themes during the study sessions. These can be grouped as follows:

- **Customers First:** We must always focus on solutions, not problems. We need to create a City Hall culture of customer service that is helpful, friendly, and accountable. We need to be consistent and predictable, and fulfill our commitment by delivering results.

- **We Are Open for Business:** We need to be fast, responsive, and accessible in ways that meet the needs of business. We need to be able to operate in “Silicon Valley Time,” which means acting in days, not weeks, and in weeks, not months. We need to cut red tape without cutting corners so we can achieve the results sought by business without diminishing our commitment to quality. We need to see the world through the eyes of businesses that are choosing to be in San José.
- **Welcome to San José:** We need to put out the welcome mat for businesses both that are here today, and that might come tomorrow. We need to support a community culture of innovation, excitement, and creativity that welcomes and attracts new ideas and enterprises. We must celebrate our city’s diversity and use it strategically as a competitive advantage in the global economy. San José must be the global center of innovation.
- **Telling Our Story:** Despite the prolonged recession, we have many strengths and unique advantages for doing business in San José. Yet, we also know that business and opinion leaders in areas critical to our success may not know who we are, what we offer, and the changes we are making. We must become more effective in telling our story to current and potential decision makers who can affect our local economy. We must use our communications resources strategically, aggressively, efficiently and consistently to achieve this goal.

Criteria for Recommendations

We recorded more than a hundred specific suggestions ranging from simple to complex during the five days of our study sessions. For us to achieve the best results, I have based my recommendations for our next steps on several factors:

- **Impact:** What will the result be for helping business create or locate jobs in our city? Will this help get families back to work?
- **Practicality:** Can we get it done? Is it something we can actually achieve within our authority and means in a timely way?
- **Cost:** Do we have the funding and staff resources to accomplish it? Can we afford not to do this for the sake of our families, businesses, and economy now?
- **Urgency:** Can we do it now, without slowing the proposal down with lengthy studies, task forces, or unwieldy process? As we heard during the study session, we must think of action in terms of weeks, not months.

“Just Do It” Actions

At the conclusion of the study sessions, the City Manager indicated that many of the suggestions and ideas from the panels did not require policy changes, but rather were a matter of staff execution to achieve the kind of culture of solutions and service that supports economic prosperity and job creation. The Administration has expressed its strong commitment to our overall goal of getting families back to work, and the Manager will be submitting his plan for achieving “just do it” solutions for this purpose within 14 days.

Measuring Our Success

As we should do with every service and program, we must evaluate the effectiveness of our efforts to create and locate jobs here. Measurement also will strengthen our ability to communicate our results to businesses, the public, and our employees, and to give us feedback to help us modify our programs to improve them. Although it is difficult to measure direct cause and effect for this purpose, we can track relevant economic indicators. To this end, I propose that we use the following general indicators to measure our impact on the local economy and job creation:

- Decrease the unemployment rate by 1%. This equals the creation of about 4,600 jobs.
- Decrease vacancy in office/R&D space by 1%. This equals about 600,000 square feet.

We should hear back frequently and regularly from our staff on the City's progress on achieving results from the direction we have given them.

Our goal is to get people back to work. For this reason, I recommend that all programs, funding, regulation changes, and fee suspensions outlined below shall be in effect for 18 months from full implementation, or until our local unemployment rate is as low as the national average.

At the end of 18 months, if the local unemployment rate remains higher than the national rate, then these measures would be automatically extended an additional 18 months unless the City Council acts to alter them. We would also assess additional measures if employment rates have not improved.

With these factors in mind, here are the first steps I recommend that we as a City can take to help businesses locate jobs in San José and reduce our inhibiting impacts on our business climate. Because of the sense of urgency we must share, I have grouped these recommendations in terms of how soon we would like to see them accomplished.

I. WITHIN EIGHT WEEKS, WE WILL COMPLETE THE FOLLOWING ACTIONS (MID-NOVEMBER):

1. *Immediately implement a moratorium on all new business regulations.*

Loud and clear, the Mayor and City Council heard from our business community that we must get out of the way. That's why my first recommendation is: we must do no harm.

Too often these regulations, no matter how well intended, add to the burden of business by adding costs and causing delay. We must do all we can to be competitive with other cities and other regions, as business will look for cities that want them to be there.

This recommended action would be effective immediately on approval of this Memo. The only exemptions from this moratorium would be for issues of public safety and health or to enforce state and federally mandated regulations.

2. *Realign all job-training programs to focus on growth industries and opportunities, such as Silicon Valley Workforce Investment Network.*

We heard the clear message that industries such as healthcare lack an adequate local workforce and represent excellent opportunities for our residents to find high-quality jobs. We must make sure that our job training programs are focused on training our local residents to compete for these available jobs.

3. *Simplify approval of any permits or zoning applications that conform to the City's General Plan.*

Again, we heard loud and clear the message from our business community that the Mayor and City Council are often an obstacle to job growth as a result of inconsistent, unpredictable, or unnecessary actions that delay or confuse decision-making. The Mayor and Council must be willing to give up some level of control to help job growth for the tens of thousands of San José residents who are unemployed.

We've spent extensive time developing the General Plan, as a master-planning document. We have asked businesses and developers to conform their plans to our General Plan. We should be disciplined to follow our plan for growth.

I recommend that we make the necessary ordinance changes that would simplify approvals of permits or zoning applications that conform to the City's General Plan and remove the need for City Council approval. This action would: 1) eliminate months to years in redundant public processes; 2) help construction begin faster, 3) allow businesses to meet time-to-market goals for competitive advantage; and 4) help create or retain thousands of jobs.

4. *Refund fees when deadlines are missed.*

City Hall delays cost businesses money and can be a barrier to job creation. Our fee system is based upon the assumption that you pay for the services the City provides. When private businesses don't get the job done, they don't get paid. The same should apply to the City. When we establish a specific schedule for performing a function (for example, issuance of a 30-Day letter or holding a scheduled Planning Commission hearing) and we don't meet it, then you should not have to pay for late service.

5. *Implement tax relief to encourage investment in San Jose.*

A. Extend tenant improvements fee exemption for another 18 months.

Our current tenant improvement fee exemption program has made it more affordable for many businesses to invest in improving their buildings, making them more attractive and competitive to retain and locate businesses in San José. This in turn helps create jobs. We should both continue this program and expand it to include our downtown and North San José, two of our most promising job centers.

Since its implementation 15 months ago, this program has been very successful. A total of 34 development projects, totaling 1.3 million square feet with a construction value of \$30 million have been processed through this program. One success story of this program is Covad, a national broadband service provider that services 96 metro areas. Covad is locating its headquarters to San Jose in November. Because of the Special Incentive Program, 86,000 square feet were permitted in two hours. Covad is bringing 300 jobs to San Jose.

B. Reduce Construction Excise Tax by 50% to "driving industries."

The Construction Excise Tax is imposed on the construction, alteration, repair or improvement of any building or structure that is constructed for residential or commercial purposes or is associated with a mobile home.

To encourage new job creation, I recommend that we cut this tax by 50% for the next 18 months if the proposed construction is for a building that serves a specific industry that is identified as a "driving" growth industry that anchors the San José economic foundation. Driving growth industries are the economic engines of our economy. They sell goods and services nationally and internationally and bring new income into our region. Examples of driving industries include software, semiconductors, computer/communications, biomedical, electronic components, and visitor industry companies.

C. Provide tax relief to small businesses.

Small businesses are the principal source of job creation, yet they especially feel the burden of City regulations and fees. Over 80 percent of businesses in San José have fewer than 20 employees.

For this reason, we should suspend for 18 months 50% of City permit-processing fees (e.g., conditional use permits, new construction and expansion) and 50% for infrastructure fees (e.g., undergrounding, non-essential infrastructure) for businesses that occupy less than 3,000 square feet of space.

6. *Improve the convenience and accessibility of doing business with the City.*

A. Permitting

A business should not have to figure out whether they are located within a redevelopment project area to know where to go to get a permit. Nor should there be separate processes for getting permits. By integrating the permitting process of the Redevelopment Agency into the Planning Department, we will create a single process that is easy to understand and will simplify doing business in San José. Duplication and confusion are two barriers to job creation that our organization needs to eliminate from the permitting process.

B. One-start Center

One of the cornerstones of the new Civic Center will be a “one-start” center where anyone needing to do business with the City can get assistance at a single location. We should not wait for a new building to be opened in two years. Rather, we should implement this wonderful idea now, so that businesses can move through the planning process in one easy, accessible integrated location.

C. Flexible/accessible hours at City Hall

Implement a new schedule that provides more convenient hours at City Hall for the services that businesses use. Not every business operates on the same schedule as City Hall. We must work with our employees to develop a service schedule at City Hall that is more responsive to the needs of our customers. We should have some functions that are available evenings and Saturdays if that is what business needs. If the DMV can do it, City Hall can do it.

7. *Review industrial Floor Area Ratio limits.*

The Industrial Floor Area Ratio (FAR) is the ratio between the floor space of a building to the area of the lot on which it is located. Currently the FAR is structured to prevent a mid-

rise or high-rise office building from being constructed. This policy was established before transit systems and housing densities were available in North San Jose to meet employer and employee demand.

Current city policy prevents companies from investing in the type of new development in San Jose that is available in other neighboring communities. By changing this policy, the City will make it easier for companies to construct the kinds of buildings that will allow them to make more efficient use of their resources and better support their business operations. In addition, the policy change will increase the potential of creating new job centers along our transit corridors in support of the City's adopted smart growth policies.

8. *Create a local preference policy to support our local businesses.*

During the study sessions we repeatedly heard that local companies feel that the City bidding process for contracts excludes them. Again, the City's processes are preventing job growth in San Jose. In addition, San Jose companies face higher rents, higher wages and benefits for labor, and higher insurance rates. Given these facts and with so many public projects on the horizon, San Jose's bidding process should be supporting the growth of jobs in our community. Therefore, the City Attorney is directed to return to the Mayor and City Council a draft local preference ordinance.

9. *Promote San Jose aggressively as a great place to do business.*

We would achieve this objective by:

A. Reaching out to the venture capital community.

One of Silicon Valley's remarkable strengths is its venture capital network, which continues to fund new business in our region at a rate far greater than found in other areas of the nation. To make sure that venture capital understands the opportunities for investing in San José, I will begin meeting with venture capital providers to make sure they know of all the benefits that companies have from locating and growing in our city. It is my goal to increase the relationship and the confidence with VCs to invest in San José.

B. Connecting with our airlines.

We heard repeatedly that the airport is an important part of San José's economic engine. As we move forward with our significant airport expansion and Homeland Security measures, we must make the connection that airlines are our customer, too. Therefore, I will continue meeting with airline executives to discuss their needs at our airport and develop a strategy to meet those needs. Additionally, we will work with Airport staff as well as the airlines to improve customer service and passenger convenience at the airport, especially as we begin construction this fall on the Master Plan projects that will last several years.

C. Initiating an aggressive economic outreach and advocacy campaign.

I will begin an aggressive outreach campaign to venture capital firms and continue my outreach to our airlines. We should initiate an aggressive economic outreach and advocacy campaign that compliments the Mayor's efforts and focuses attracting on driving industries to San José.

The Council already gave an exemption to the no-marketing budget and no-travel policy for the explicit purposes of economic development. Similarly, we need to provide adequate resources to do an aggressive outreach campaign to recruit companies to locate in San José and bring quality jobs here for San José families.

A successful advocacy effort would include:

- Telling the San José Story effectively to strategically important audiences with creative marketing.
- Moving swiftly with effective legislative advocacy regarding economic policy initiatives at the state and federal level.

Support for successful advocacy and marketing in support of the Mayor's efforts should use the combined resources from the marketing, communications, and intergovernmental relations functions of the Office of Economic Development, Redevelopment Agency, and the City Manager's Office, and should include appropriate participation from business organizations.

D. Mayor's Economic Cabinet

We must continue to be accountable and responsive to the concerns we heard during the study sessions. This means we must maintain open communication channels for information, feedback, and advice regarding our efforts to improve the business climate and locate jobs in San José. Within the next three weeks, I will name an Economic Cabinet to provide ongoing communication, counsel and advice that will:

- Make San José more attractive to locating businesses and jobs;
- Make San José an easier city in which to do business; and
- Improve the quality of life for the employees of San José businesses.

9. *Make San José a wired and wireless city*

A. The innovation capital of the world should not lack high-speed Internet connections, yet today much of our city does not have adequate access to good Internet service for businesses. We must work with Internet service providers, especially broadband and high-speed service

providers like SBC and Comcast, to accelerate development of the infrastructure needed to have the entire community wired.

B. We should issue an RFP for wireless service providers to locate their equipment anywhere on city property or equipment. Rather than having the Administration spend a tremendous amount of time determining where we should allow wireless equipment, we should open the question to the industry to ask them where they see the best opportunities. Based on responses from the industry, we can then determine if any locations pose a health or safety concern, and if not, be ready to approve installation.

10. Strengthen our relationship with San José State's academic programs that produce employees for our driving industries.

San José State University is a tremendous asset to San José. We heard many panelists at the study sessions encourage the City to strengthen its relationship with SJSU. For example, the Council just learned of the new biotech program at the University. We must further our relationship with this program to help provide highly trained employees for this driving industry to grow in San José, especially as we move forward with the biotech incubator in Edenvale, the first of its kind on the West Coast.

11. Overhaul the City employee suggestion award program.

We must change the current suggestion award program to one that rewards ideas that help companies locate jobs in San José, and transfer the process to the Mayor's Office.

We should tap the creative talent pool we have at City Hall and reward employees with creative ideas that will boost our economy. Some examples could include employee incentives for helping book conferences at the convention center; ideas that cut red tape, accelerate permitting processes or help a business open sooner; or identifying new opportunities that result in concrete job creation/location in San José.

In addition, we should initiate a clearly visible campaign to publicly track our progress toward reaching our goal to locate or create 4,600 new jobs in San José – one percentage point of the unemployment rate. Every City of San José employee is essential in locating or creating 4,600 jobs and is part of this campaign. We have all been affected by this recession, and our entire team effort is needed to make a difference and help get our families back to work.

12. Streamline the festival permit process.

We should recognize and reward success. If you produce a festival in San José and meet all the City's requirements, you should not have to go through the same process again starting anew. Successful festivals help create jobs within the festival itself, benefit San José businesses located near the festival location, and contribute to the quality of life in our

community that helps businesses attract and keep employees. Festival permit approvals also should be handled on a "one-start" basis at a single office.

II. WITHIN 18 WEEKS, WE WILL COMPLETE THE FOLLOWING ACTIONS (MID-JANUARY 2004):

1. *Reduce and simplify regulations for business signs and base them solely on size criteria.*

Business owners who risk their investment in our city to create jobs should be allowed to make their own decisions about how best to let customers know where their business is. If a business or property owner wants a sign facing the street, facing pedestrians, at the top of the building, at street level, or in an A frame on their property, then we should allow them. The City's sign ordinance has grown to become far too complex to understand, too expensive to administer, too expensive to enforce, and too ineffective in achieving any result except to cause delay. It's time to simplify it using clear criteria and ratios based on the amount of signage for the property and on building safety.

2. *Simplify and clarify the historical review procedures for development to allow approval for applications that meet established guidelines.*

Our historic guidelines must be finalized so that development that could affect historic structures can understand clear rules and get decisions without unnecessary or arbitrary delays. We need to strike a balance between the need to preserve our historic structures and the need to provide certainty to the development process. By clarifying the development process in historic areas, we will make it easier and more attractive for developers to invest in improving our downtown. If a project meets our policies and guidelines, it should be approved without additional review by advisory commissions or the City Council.

3. *Strengthen our ability to keep and grow sports teams and events in San José.*

Many sports activities contribute to job growth. The San José Sports Authority should bring a strategy forward to the Mayor to keep and grow sports teams and events in San José. Sporting activities have positive economic and cultural impacts on our supporting businesses.

III. WITHIN 36 WEEKS, WE WILL COMPLETE THE FOLLOWING ACTIONS (LATE MAY 2004):

1. *Speak with "one voice" on economic development to deliver a consistent and clear message to the business community.*

The City's economic development efforts require more than just a coordinated approach. If we are to be aggressive and move swiftly, we will need to integrate services rather than merely coordinate them. The City Manager is directed to work with the Mayor to develop a new Department of Economic and Community Development. This new department will allow the City to speak with one voice on job growth and economic development.

This reorganized structure will include elements of the Department of Planning, Building and Code Enforcement, Department of Housing, Office of Economic Development, and the Redevelopment Agency. The goal of this plan is to allow the City to: 1) be aggressive and swift in our ability to support job creation; 2) use our resources more efficiently; 3) and make all our City economic development efforts consistent.

2. *Strengthen our relationships with regional universities.*

One of our most valuable economic strengths is the trained workforce that graduates every year from the world-class universities in the Bay Area. As I am doing with venture capital companies and our airlines, I will also reach out to the leaders of our local universities and create a President's Council to connect the resources of our universities to the needs of our employers. It is critical if this area is going to be competitive with the rest of the world that we retain and grow our highly-educated and diverse pool of employees. In addition, the rich academic resources for research and innovation continue to be a competitive advantage for San José and Silicon Valley. We must make the best use of this resource by working more closely with our universities and with our business community together to make sure we identify opportunities and take advantage of them for the benefit of job creation and our economy.

CONCLUSION

San José families are hurting from the loss of jobs during the most prolonged and severe recession since the 1930s. The City Council and the San José community, working together, must do everything possible to get our families back to work and make San José the best city in America to do business. As a partner in the economy, we must change the way we do business as a city to improve our role and have a greater positive impact on our economy.

As we heard during the study sessions, local government has a key role in driving the economy. In the interest of responding swiftly to the issues we heard, the items I am recommending in this memo reflect the speed that we heard is needed at City Hall. We must act, take risks, and be bold because business as usual is unacceptable in this economic climate.

I firmly believe that every employee of the City of San José plays an important role in helping our organization change. Whether they are at the front counter, back office, or in the field, all employees can help get San José families back to work by improving our customer service and identifying creative opportunities for jobs. We have all been touched by this recession with family or friends out of work. Together, as employees of the Capital of Silicon Valley, we must do everything we can to locate new jobs in San José and protect the ones already here.

We owe great gratitude to everyone who helped make our study sessions successful – staff and Council both. Our greatest thanks, however, must go to the participants representing businesses and the community who gave us their time, their expertise, and their straight talk. On behalf of our San José families who are looking for work in these challenging times, I appreciate their valuable contributions.

This economic crisis requires swift bold action. With the bold actions in this proposal, we are taking risks. There are 46,000 families who need work and we must meet the challenge to take immediate action. There is no time for studies or task forces. Not all the things in this proposal are going to be liked and some may not work. But if business as usual is over at City Hall, we must take this bold path.

I strongly urge my City Council colleagues to support all my recommendations *as one package* to achieve this goal with the greatest urgency possible.

COORDINATION

These recommendations have been coordinated with the City Manager, Redevelopment Executive Director, and the City Attorney.