



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Chuck Reed  
Councilmember Sam Liccardo  
Councilmember Rose Herrera  
Councilmember Nancy Pyle

**SUBJECT:** SEE BELOW

**DATE:** 3/12/10

Approved Chuck Reed Date 3/12/10  
Nancy Pyle (KS) Rose Herrera (AQ.) Sam Liccardo  
RD

## RECOMMENDATION

1. Adopt a suspension of business license taxes for the first 1,000 businesses that provide documentary evidence of a new lease or lease renewal (i.e., signed since January 1, 2010) by June 30, 2010, with the requirement that:
  - a. businesses can only qualify where they have brought current all past-due fees and obligations to the City;
  - b. qualifying businesses must have 35 employees or fewer;
2. Adopt a new Parking Incentive Program that offers free parking to any tenant who signs a new or renewed lease:
  1. with no more than 50 employees;
  2. a duration equal to one-half the term of the lease;
  3. up to the maximum of facility space availability;
  4. renewing an existing lease, up to 500 spaces;
3. Report to Council on March 16<sup>th</sup> on potential resources that could backfill any impacted revenues. Return to the Council during the 2010-11 budget process regarding the estimated fiscal impact of these new programs for 2010-2011.
4. Regarding impact fee deferrals,
  - a. adopt Staff recommendation to return to the May City Budget Study Session with further discussion;
  - b. direct the City Manager to identify, at any time prior to May, any immediate opportunities for incentivizing business investment utilizing the "net new" concept, and bring those to full Council for consideration with all necessary haste.

5. Partner with the San Jose/ Silicon Valley Chamber of Commerce to offer a reduced-rate membership at the Chamber for any business qualifying for a City incentive.

## **BACKGROUND**

### **A. Business Tax Suspension**

We all share great sensitivity to the impact of any decision that we make on the General Fund, so we should focus on containing the costs of any proposal.

First, we can cap the aggregate cost by limiting the number of new businesses that can qualify under the program. We've done so with this recommendation.

The hefty cost figures quoted by the staff memorandum assume that Council will choose to waive those businesses with overdue accounts. Requiring that any qualifying business be current on its obligations to the City reduces the cost of either Alternative I or II by about \$35,000. If this proposal induces businesses to come into compliance with their overdue accounts to qualify, additional revenues will accrue to the City coffers.

Finally, by bringing these businesses on to the City's "radar," we assure ourselves of a greater ability to collect future tax revenues that might otherwise be avoided if the City does not have the business in its database. By bringing businesses that are not in compliance with business license requirements, we can further generate additional revenues this year and in the future.

Similar past efforts have demonstrated ample success. In 2005, Mayor Curt Pringle and the Anaheim City Council established a 100-day "business tax holiday," waiving the \$68 minimum business license tax and other processing fees from businesses registering with the City. According to the *Los Angeles Times*, the tax holiday saved business owners an average of \$133, yet more than 2,000 new businesses registered within that 100-day window. That represented a 33% increase in new business registration over the same period the previous year. Noting Anaheim's success, National University's Institute of Public Policy recommended that the City of San Diego adopt a similar policy.

### **B. Parking Incentive**

As lease rates drop and commercial landlords become more competitive for tenants, the additional parking cost of moving downtown becomes a proportionately larger cost factor in a business location decision. Since the announcement of this proposal, several business leaders--such as Greg Sellers, the CEO of Burnham Energy, John Hartnett, spearheading the Irish Innovation Center, Jeremy Neuner, CEO of Nextspace and Kim Fennell, CEO of deCarta --have remarked that a free parking incentive would play a significant role in their ability to move downtown or lure companies to downtown business space.

Members of the Downtown Parking Board expressed unease with the staff's recommended cap of 200 spaces for existing businesses renewing their leases. Accordingly, we seek to lift the cap, but to return to Council in 120 days to review the status of the Parking Fund and the incentive program.