



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Rose Herrera
Councilmember Sam Liccardo
Councilmember Kansen Chu
Councilmember Ash Kalra

SUBJECT: DEVELOPMENT TAXES,
FEES AND COSTS

DATE: December 9, 2011

APPROVED:

Chuck Reed
Rose Herrera
Kansen Chu
Sam Liccardo
Ash Kalra
DATE: December 9, 2011

RECOMMENDATIONS

Approve recommendations outlined in the staff report dated November 10, 2011 to the Community & Economic Development Committee; and since these actions are priorities of our Economic Strategy, staff should make every effort to return to Council no later than the last Council meeting in January 2012 with:

- i. an Ordinance to approve changes to the construction taxes as discussed in item (a) of the staff report;
- ii. an amendment to the North San Jose Area Development Policy to promote near-term development as discussed in item (c) of the staff report; and
- iii. a fee incentive program for Downtown high-rise residential development for a limited time period.

BACKGROUND

Maxim, Oracle, PwC, Monolithic Power Systems, Zazzle, Threatmetrix, Qualcomm, Netflix, Avnet, C8 MediSensors, Jabil Circuits, Supermicro, Atmel, Drobo, Geometrics, Intacct, Flexera, NXP, Data Robotics, Microchip Technologies. Acquisitions, leases and lease renewals by these and other companies have produced positive occupancy gains in San Jose's R&D, office, industrial and warehouse markets over the past three quarters of 2011. However, vacancy rates in Downtown (at 24%), North San Jose (at 19%) and Edenvale (at 16%) remain high. There's also more than 200 acres of prime vacant land in North San Jose and 300 acres in Edenvale.

While a real-estate recovery has been in progress in Silicon Valley, the demand for new development has centered in Palo Alto, Mountain View and Sunnyvale. Through our Special Tenant Improvement program San Jose has had great success with companies moving into existing buildings, but we have had no new office development approved since the North San Jose Area Development Policy was adopted. It is time to reconsider elements of the policy and determine what is impeding our ability to compete for new development.

Staff recommendations are a good start and should send a signal to the development community that the City of San Jose understands that value always matters and that we're competing the best we can for their investments.