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**San José Mayor Chuck Reed Delivers  
2009 State of the City Address**

*Speech Focuses on Innovation and Collaboration  
to Create Hope for a Brighter Future*

*SAN JOSE* – Six days before the inauguration of President-elect Barack Obama, Mayor Chuck Reed called on San José to embrace a spirit of hope and innovation – and to work together to address the economic challenges ahead.

“Against the backdrop of a state in fiscal failure and a nation facing its worst economic challenges in generations, it may seem impossible for our best days to be ahead of us,” Mayor Reed said. “But San José and Silicon Valley have survived many economic downturns. Our ability to innovate has pulled us out of economic slumps and made us stronger.”

Speaking to a sold out crowd, Mayor Reed urged San José’s residents, employees, businesses, faith community, nonprofits, and the City Council to:

- 1) Capture Clean Tech growth opportunities.
- 2) Work in partnership to keep Downtown San José vibrant.
- 3) Help the less-fortunate among us.

**Economic Development and Clean Tech Growth Opportunities**

Since Reed introduced San José’s Green Vision in October 2007, more than 1,500 clean tech jobs have been created in San José, doubling the number of jobs in fields like clean energy, solar, energy efficiency, and biofuels.

The number of solar companies in San José continues to grow, and with Reed’s leadership, the eight-year extension of the federal clean energy tax credit has brought stability to the industry. Underwriters Laboratories located a state-of-the-art solar testing facility in San José, allowing solar manufacturers to get products to market quickly and efficiently.

The City must build on these successes, he said. “Given the fiscal challenges facing our city, we must aggressively fuel economic growth that will increase our tax revenues. We can swim against the tide,” he said. “We must support initiatives that develop and create jobs, encourage private investment, and build our infrastructure so that we can come out of this recession stronger than ever.”

Mayor Reed also called for investing in workforce development efforts to ensure that San José residents are ready to work in jobs created by the next wave of innovation. He urged expanding the successful BioCenter incubator and bringing a pilot manufacturing facility to San José so biotech and Clean Tech companies can get their products into production.

Since taking office, Reed has met with more than 100 Silicon Valley CEOs, “to make sure that our driving industry companies know that we appreciate their business and we want them to stay here and grow here.” He recognized Brocade, which had been considering moving elsewhere until Reed and Michael Klayko, Brocade CEO, met and San José helped the company find a site for a new headquarters on North First Street.

With sales tax a critical component of the City’s economic base, Reed urged residents to shop locally, saying, “shopping in San José keeps your sales tax dollars in San José,” and recognized new stores that had opened in the past year, from Lowe’s and Costco in North San José, to The Plant shopping center in Central San José, to upcoming expansions at Santana Row on the Westside.

Reed remarked that both the Lowe’s and Costco sites had been targeted for residential development, and the Mayor commented, “Our new policy to preserve employment lands is moving us in the right direction, creating jobs and generating tax revenues.”

### **Creating a Vibrant Downtown**

With Santa Clara County voters approving a sales tax to bring BART to Silicon Valley and Californians approving bonds to develop a statewide high-speed rail system, Downtown San José is poised to become a transportation hub for the entire state, Mayor Reed said.

Millions of dollars in private investment have been made in Downtown in recent years, especially in new high-rise housing developments. With the recent housing slump, Reed said, “We need to help those projects succeed so they fill up with new residents who will patronize our shops, restaurants, and arts. Expansion of the Convention Center and rehabilitation of the Civic Auditorium will help, but we need to do more. Let’s look at how we can help buyers get into the market. Let’s look at what we can do to improve the neighborhoods around each project to make them more attractive, more interesting, and more walkable.”

## **Helping the Less Fortunate**

In urging residents to help those in need, Mayor Reed said, “Let’s take a moment to count our blessings, give thanks for living in a land of freedom and opportunity, and then ask ourselves if we could do more to house the homeless, to feed the hungry, to support our schools, or to keep an arts organization alive. . . . Let’s ask ourselves, what can we do to help everyone survive these tough times? What can we do to give everyone hope?”

Reed recognized two key initiatives from 2008 that are helping those in need. Destination Home, an innovative partnership between the County, City, and nonprofits envisions “a future where no one lives on the streets or in the creeks of San José,” Reed said. Bank on San José, part of Governor Schwarzenegger’s Bank on California initiative, locally implemented by United Way Silicon Valley, will help low-income residents create saving and checking accounts and not fall prey to exorbitant check-cashing fees.

## **Improvements in Public Safety**

In 2008, San José began to see significant results from investments that have been made in public safety since Mayor Reed took office.

The police force began to grow after a decade that saw a 2-percent increase in staffing, while the City’s population increased of more than 10 percent and calls for police service increased by more than 30 percent.

In 2007, under Reed’s leadership, the Council increased funding for the Mayor’s Gang Prevention Task Force for the first time since 1999. In the year ahead, \$500,000 dollars will be allocated to expand the Safe Summer Initiative, a program launched by the Mayor’s Gang Prevention Task Force in 2008.

These increases and new programs “made it possible to increase funding for many of the community based organizations who do a great job keeping kids away from gangs, getting kids out of gangs, and reducing violence in our neighborhoods,” Reed said.

In 2008, gang violence dropped by more than 20 percent.

## **San José’s Fiscal Challenges**

San José is not immune to the challenges facing cities across the nation, Mayor Reed said. The City is facing a shortfall of more than \$60 million in the coming year – more than twice the budget for the Parks, Recreation and Neighborhood Services department, twice the budget for all of the libraries, and three times the size of last year’s shortfall.

Three main factors contribute to San José's shortfall, Reed said. They are:

- 1) The increase in new libraries, community centers, parks, and fire stations over the past decade. Voters approved special bonds to build new facilities after years of neglect, however costs for staffing and maintaining the facilities weren't built into the budget.
- 2) Historically, the growth in personnel costs has outpaced growth in City revenues. Reed thanked employee groups that have recognized the dire budget situation San José is in and negotiated smaller wage increase in the year ahead.
- 3) The national economy is dragging down the City revenues, with sales taxes dropping by 4 percent in the first quarter, and construction-related taxes dropping by a third over the previous year.

The combination of these three factors will deepen San José's long-term structural budget deficit and make it impossible to close the budget shortfall next year without making hard decisions, according to Reed. "There are some things we will just not be able to do anymore. It is highly unlikely that we can close the gap without more layoffs and significant service cuts," he said. "In the face of such challenges, we must all work together to identify our core services, determine our top priorities, and consider alternatives to layoffs. We will involve our residents, our businesses, and our employees in the discussion. We will have open communication and act with compassion, but act we must."

### **Looking Ahead to 2009**

"The long-term outlook for San José and Silicon Valley is bright, but the national recession and California fiscal failure threaten to drag us down in the short run," Mayor Reed said. "We need to take some bold action immediately to make sure we don't lose ground this year."

Mayor Reed opened his speech by reminding the audience how San José and Silicon Valley have turned previous economic disasters into new eras of innovation, from the tanking of the defense industry in the 1970s and subsequent creation of new industries in integrated circuits and silicon chips, through the dot-com bust and the networked society that followed.

"Even though there's a lot of bad news in the economy," he said. "We've been through this before. Now we can see whole new wave of innovation that is changing the way the world produces and uses energy. Will Clean Tech be the next new thing that drives our economy forward?"

Mayor Reed returned to this optimistic theme as he concluded his speech, saying, "San José is a place built on hopes and dreams. Many of us came here from somewhere else, dreaming of freedom, looking for a better life, searching for a better job, and hoping for a better future for our children. Today we join together with great hope on the brink of a historic day, as we are about to inaugurate a president whose life inspires us to believe in what opportunity and hard work can achieve."

He closed his speech with a quote from President-elect Obama, saying, “We have hope for a better future for San José, for Silicon Valley, for California and for the nation. We have hope, as President-Elect Obama said, ‘*Hope in the face of difficulty. Hope in the face of uncertainty. The audacity of hope! In the end, that is God’s greatest gift to us, the bedrock of this nation. A belief in things not seen. A belief that there are better days ahead.*’”

“The best days of Silicon Valley and the best days of San José are ahead of us. Together we will make it happen,” Mayor Reed concluded.

In addition to the State of the City Address by Mayor Reed, the event recognized Community Honorees from each City Council District and honored city employees with the Pride of San José awards.

The event will be broadcast live on San José Civic Center Television (Channel 26) live on January 14 with a 12 p.m. replay, and again on January 15 through January 18 at 12 p.m., 5 p.m., 7 p.m., and 9 p.m.

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