

For Immediate Release:

January 25, 2010

Contact:

Michelle McGurk, Office of Mayor Reed
(408) 535-4840 or (408) 655-7332 (cell)

Mayor Reed, Councilmembers Propose Incentives to Spark Economic Development and Job Creation

San José, Calif. -- Mayor Chuck Reed, joined by Councilmembers Sam Liccardo, Rose Herrera and Nancy Pyle, are urging the San José City Council to adopt new incentives that will spark economic development and job growth in San José.

“With the city’s unemployment rate at 12.5 percent and the nation suffering from the worst recession since the Great Depression, we must act boldly to encourage investment in San José,” said Mayor Reed. “Driving industry companies are our most important asset. Our proposal sends a strong message to them that San José wants you to locate here, stay here, and grow here. In return, we will work at the speed of business to help you.”

On Friday, California’s Employment Development Department released data showing that San José’s unemployment rate was holding steady at 12.5 percent. The vacancy rate for office buildings in San José is 23.4 percent citywide.

“In the midst of this recession, many businesses are considering decisions such as relocation and layoffs,” said Councilmember Liccardo. “These decisions have an impact beyond their own employees, but also affect suppliers and surrounding service providers such as restaurants and retailers. We want to encourage business growth.”

Under the proposal, the City and Redevelopment Agency could offer incentives to spur business development, including:

- Waive business license fees for new small businesses.
- Waive fees on parking leases for two years for businesses that enter into or renew a lease in a downtown office or commercial retail building.
- Enter agreements with driving industry businesses that expand in San José to share any “net new” taxes or tax increment received as a result of the company’s new business activity. Note: Driving industry companies are in fields such as computer technology, bioscience, CleanTech, nanotechnology, semiconductors, and informatics that are at the forefront of innovation and product development.
- Defer impact fees over an extended period of time, using Community Facility Districts or other mechanisms to generate the same net present value payment.

MORE

PRESS RELEASE: Mayor Reed, Councilmembers Propose Incentives to Spark Economic Development and Job Creation

Page 2

“As a former small-business owner, I know that waiving license fees will make a tremendous difference to residents starting a new business,” said Councilmember Herrera, “It ensures that entrepreneurs can establish their businesses at minimal cost while spurring job creation.”

Councilmember Pyle, who chairs the Council’s Community and Economic Development Committee, cited the input provided by commercial brokers for the idea of waiving fees for leases of parking spaces in Downtown, city-owned garages. “Downtown is San José’s urban center, but our retail and office space is at a competitive disadvantage because tenants must pay for parking on top of the lease rate they pay,” she said.

The use of reimbursement contracts as an incentive has already been successful in encouraging companies like Nanosolar, SoloPower and Brocade to locate, stay, and expand in San José. This allows a company to receive an incentive based on the “net new” taxes generated by its new development activity and for the City and Redevelopment Agency to leverage future streams of tax revenue to provide incentives for new business to create jobs in San José.

“As the Capital of Silicon Valley, San José is the place where innovation will happen. That innovation will generate jobs, but will those jobs stay here, or will they go someplace else?” said Mayor Reed. “This package is clearly needed to generate permanent, private sector jobs here in San José. We have ability to lead California and the rest of the nation out of this recession, and we’re going to make that happen.”

The San José City Council will consider these, and other, economic development strategies at a study session on February 8, 2010.

#