

# San Jose



CAPITAL  
OF  
SILICON VALLEY

## Economic Strategy 2010 Update

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**Prepared by**

**Office of City Manager**

**Office of Economic Development**

Debra Figone, City Manager

Paul Krutko, Chief Development Officer

**Project Leader**

Kim Walesh, Chief Strategist

John Lang, Development Officer

**Expert Advisors**

Dr. Anuradha Basu, San Jose State University

Bob Brownstein, Working Partnerships USA

Pat Dando, San Jose Silicon Valley Chamber of  
Commerce

Carl Guardino, Silicon Valley Leadership Group

Virginia Hamilton, California Workforce

Association

Russ Hancock, Joint Venture Silicon Valley  
Network

Doug Henton, Collaborative Economics

Dr. Steve Levy, Center for Continuing Study of the  
California Economy

Lenny Mendonca, McKinsey & Company

Dr. Sean Randolph, Bay Area Council Economic  
Institute

*Special thanks to the more than 130 people who  
provided suggestions for this strategy through focus  
groups and interviews.*

Download the Executive Strategy report and supporting research materials at:

[www.sjeconomy.com/publications/strategy.asp](http://www.sjeconomy.com/publications/strategy.asp)

**Please direct inquiries or comments to:**

Office of Economic Development

economic.development@sanjoseca.gov

www.sjeconomy.com

phone: 408-535-8181

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## Introduction

In November of 2003, the San Jose City Council adopted the city's first comprehensive Economic Development Strategy. The dot.com bust of 2001-02 had raised serious questions about prospects for the Silicon Valley economy and the role of the City in affecting its economic future. Moreover, City leaders saw aggressive competition from other high-tech centers globally and knew they could not take future success for granted.

At the core of the 2003 Strategy were four key parts:

- *Outcomes*: what we wish the San Jose economy to achieve: economic prosperity, wide-ranging job opportunities, robust tax revenue
- *Vision*: the ideal picture of San Jose's economic future—six attributes that define San Jose as the Capital of Silicon Valley
- *Strategic Goals*: 15 priorities to help realize the vision and outcomes over five years
- *Tactics*: specific steps the City should take to move in the desired direction

Development and implementation of this Strategy created opportunity for tremendous shared learning among City staff, elected leaders, business leaders, and other stakeholders in the economy.

First, we recognized that a vital economy is the most important tool we have for ensuring a first-rate quality of life for the people of San Jose. Prosperous companies, wide-ranging career opportunities, and robust tax revenue are all essential prerequisites for building a great community. Economic development and quality of life are interdependent priorities.



*Second, we recognized that economic development is a citywide business. All City departments have a role to play in San Jose's economic development. Success requires extensive collaboration within the city organization, and with myriad outside partners. As one department leader expressed, "Internally, there was a sea change in understanding the importance of economic development, and the role we all play in it."*

*Third, we recognized and demonstrated the value of having an economic development strategy. To a large extent, the 2003 Strategy met its goal of providing a big-picture framework to help set priorities, align resources, and guide day-to-day efforts. Department leaders report that "there has been a lot of power in having a clear set of priorities for economic development. We refer to these priorities and have ongoing conversations about aligning our actions and resources in a disciplined way."*

### **Time for an Update**

*After struggling to recover jobs from the dot-com bust, San Jose is now reeling from a global economic recession that is far deeper and more pervasive than the "dot-com" recession at the beginning of the decade. Economists anticipate that the recession effects will last well into 2011 and that job growth in the recovery period will be weak. There is concern about the ability to regenerate and catch a next wave of innovation, and about the human and community cost of a sustained downturn.*

*Despite challenging times this decade, San Jose is a city with a strong sense of purpose and momentum. Continued population growth made San Jose the 10<sup>th</sup> largest U.S. city in 2008, and strong long-term growth is projected. Residents and business leaders see demonstrable progress in many areas, including transportation, downtown regeneration, neighborhood quality, and the airport. Clean technology has surfaced as a new opportunity area, and San Jose has been acknowledged for its aggressive, focused approach. Despite a highly competitive global environment, the San Jose/Silicon Valley region retains its objective ranking as the world's #1 location for innovation and entrepreneurship (Milken Institute, 2009).*

*Now is the time to revisit San Jose's 2003 Strategy, and update it to reflect prior progress and new realities. By setting thoughtful priorities for the next five years, San Jose can help maximize potential for sustained job and income growth after the recession in a competitive landscape that could be very different.*

### **Approach to the Strategy Update**

San Jose updated the 2003 Economic Strategy by blending new research and data with new outreach and current opinion.

*The Strategy Update was developed by a team of senior City executives and researchers including staff from the Office of Economic Development; the Redevelopment Agency; the Department of Planning, Building, and Code Enforcement; the Department of Transportation; the Airport; and the Department of Housing.*

The team benefited from the knowledge and experience of 10 leading economic experts from throughout California.

More than 130 people—business leaders, small business owners, workers, property owners, developers, on-the-ground experts representing different perspectives and constituencies—contributed their ideas through 14 focus groups and through interviews. Staff updated key datasets and reviewed relevant research about the regional, state, national, and global economies.

### **Expert Advisory Team Members**

Dr. Anuradha Basu, San Jose State University  
Bob Brownstein, Working Partnerships USA  
Pat Dando, San Jose Silicon Valley Chamber of Commerce  
Carl Guardino, Silicon Valley Leadership Group  
Virginia Hamilton, California Workforce Association  
Russ Hancock, Joint Venture Silicon Valley Network  
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Dr. Steve Levy, Center for Continuing Study of the California Economy  
Lenny Mendonca, McKinsey & Company  
Dr. Sean Randolph, Bay Area Council Economic Institute

### **About this Document**

This document provides the core assessment and recommendations.

- I. *What We've Accomplished: Progress Implementing the Strategy*—Identifies the top five accomplishments for each of the 15 Strategic Goals outlined in the 2003 Strategy.
- II. *Looking Forward: 10 Major Forces of Change Shaping Opportunity and Challenge*—Describes 10 important forces of change affecting San Jose the next five years and beyond, and the opportunities and challenges they present.
- III. *San Jose's Economic Vision*—Affirms a distinctive set of characteristics that can differentiate San Jose from competitors and enable our community to excel economically.

- IV. *Recommended Strategic Goals: 2010-2015*—Identifies a set of 12 Strategic Goals that San Jose should pursue to advance our economic vision and desired outcomes over the next five years. Each Strategic Goal is supported by specific actions the city can take to move in the desired direction.

### **Implementing the Strategy**

Although this Strategy has specific implication for action by the City government of San Jose, successful implementation will require the active involvement of partners from business, education, labor, and the community. Implementation must be a community-wide team effort. All stakeholders who care about the future of San Jose should ask, “What actions can we take to make progress on the 12 Strategic Goals?”

Implementation of the Strategy should have four main tracks:

- *Set Priorities for First Two Years*—The City Council and Administration should identify the highest-priority Strategic Goals, and the highest-priority Actions within each of the 12 Strategic Goals, that should be pursued in 2010 and 2011.
- *“Connect the Dots” Across the City Organization*—The Economic Strategy should be communicated throughout the City organization, so that every Department and staff member can understand their contribution and align their work to support the Strategy.
- *Build Implementation Partnerships with the Community*—City elected leaders and staff should take this Strategy out into the business community and neighborhoods. They should engage key economic development partners and clarify how to move forward together on the Strategic Goals.
- *Track Performance and Progress*—On a regular basis (every 12-18 months) the City Council should conduct a review of the Strategy. The City should track three kinds of measures related to implementation of the Strategy: performance on desired economic outcomes, performance on community success factors, and milestones and results of implementing the Economic Strategy.

*As we implement this Strategy over the next five years, we need to be aware that our environment will continue to change.* The Strategy was developed at a time of significant economic flux and uncertainty. Even as we focus on implementing initial priorities, we will need to be opportunistic as new possibilities and problems emerge over time. We must continue learning from each other locally and from our increasingly interconnected world. San Jose can pioneer a kind of civic adaptability that can make change as healthy and constructive as possible for our residents, organizations, and community.

### Implementation Principles

City leaders and employees should consider how their work affects the San Jose's economic development success and identify how they can contribute to implementing this Strategy. On a day-to-day basis, the following principles are important:

- Economic development is a **citywide business**
- Economic development and quality of life are **interdependent priorities**
- **Employers are customers**, just like residents
- Each City staff member is an **Ambassador** for the entire City of San Jose
- Be **responsive, adaptable, speedy, and aggressive**
- **Be in communication** with San Jose employers for ongoing learning
- Look out for **new opportunities that emerge** aligned with San Jose's Economic Vision.

### How City Government Affects the Economy

City government is one of many players that affect San Jose's economic competitiveness and opportunity. City government affects the economy in nine main ways:

1. **Shapes the Qualities of the Community** that make San Jose attractive to talented people and world-class companies.
2. **Provides Assistance and Support to Business** to enable job creation, new business formation, private investment, and industry evolution.
3. **Determines How Land is Used & Facilities are Developed** to ensure balanced, quality community development
4. **Supports Development of a Local Workforce** that is skilled, productive, and able to learn lifelong.
5. **Communicates the Community's Assets, Advantages, and Aspirations** to send a clear, consistent, compelling message to decision-makers and influencers.
6. **Establishes Policies to Align Business and Community Goals** to advance community values and aspirations without undermining competitiveness.
7. **Spends Money on Capital Projects & Service Delivery**, stimulating economic activity, employment of people, and maintenance of investments.
8. **Provides Leadership for Long-Term Economic Success**, working with public and private partners in the community and region to advance shared goals.

### Additional Resources

Readers wanting to review the detailed findings from the Strategy research and outreach can review the following resources.

- A. *Focus Group Results*--A summary of the 14 focus groups can be read at ([www.sjeconomy.com/publications/strategy.asp](http://www.sjeconomy.com/publications/strategy.asp))
- B. *Performance on Desired Economic Outcomes: 2004-2009*—a presentation tracking performance on the desired outcomes from the San Jose economy— growing economy, increasing opportunity and prosperity for residents, and revenue growth to fund city services. (forthcoming January 2010)
- C. *San Jose's Changing Economic Base: 2004-2009*—a presentation about the structure and characteristics of the San Jose economy, and changes since 2004. (forthcoming January 2010)
- D. *10 Major Forces of Change Affecting San Jose Economy*—a presentation with visual representations of the 10 major forces of change affecting the San Jose economy over the next 20 years. (forthcoming January 2010)
- E. *San Jose's Competitive Advantages and Disadvantages*—a presentation about how San Jose fares on community success factors in four major areas: world-class place, exceptional workforce, innovation habitat, and efficient business environment. (forthcoming January 2010)

## **What We've Accomplished: Progress Implementing the 2003 Strategy**

*"However beautiful the strategy, you should occasionally look at the results."*  
- Winston Churchill

Since early 2004, San Jose has pursued 15 Strategic Goals to make the city more competitive and attractive to business and to improve economic opportunity for residents. Significant progress has been made and tracked through a variety of reporting mechanisms. This section recognizes the top accomplishments for each of the 15 Strategic Goals. To continue building confidence in the City of San Jose, it is important to communicate these accomplishments widely.

### **Progress Noticed Last Five Years**

Most frequent answers to the question, *"What positive developments have you seen in San Jose the last five years?"* from 14 focus group discussions.

1. Downtown becoming more lively, attractive, and metropolitan
2. Modernized airport
3. San Jose's Green Vision, and emphasis on clean technology
4. Quality improvements to neighborhoods and business districts
5. Improved transportation infrastructure
6. More shopping amenities
7. Positive momentum at SJSU
8. Pursuit of major league sports
9. Successful models of transit-oriented development
10. Strides in permit processing

For a summary of each focus group, see the Focus Group Summary report at:  
[www.sjeconomy.com/publication/strategy.asp](http://www.sjeconomy.com/publication/strategy.asp)

### **#1 Build a World-Class Airport Facility and Air Services**

*Since 2003, San Jose has made substantial progress in achieving its goal of creating a world-class airport serving Silicon Valley. The \$1.3 billion comprehensive modernization program is on schedule and on budget for completion in 2010, and the new Terminal B will open in June 2010. The innovative collaboration by the Airport with its airline partners, contractors, and concession operators has demonstrated the power of partnership to deliver a renewed airport on-time and on-budget for the businesses and residents of the region. An attractive, convenient, and efficient new airport in San Jose can become the model for airport design and functionality across the nation. As*

envisioned in 2003, travelers through San Jose's new airport will clearly know they have arrived in the Capital of Silicon Valley.

*Top Accomplishments from 2004-2009*

- The Terminal Area Improvement Program (TAIP) was rescaled to a \$1.3 billion modernization of terminals, roadways, and parking.
- A new design/build project delivery model for TAIP has kept the program on time and on budget for completion in 2010.
- An innovative new airport business model based on common use and shared technology has made the airport more competitive for air carriers.
- Comprehensive expansion of shops and restaurants and new concession agreements that provide outstanding amenities for travelers and enhance airport revenues.
- Far-reaching neighborhood investment to reduce airport noise impact was completed, with some 2,600 homes receiving acoustical treatment.
- Adopted and implemented an innovative public art plan for the airport that focuses on art and technology, innovation and diversity.

Unfortunately, over the past five years, the San Jose airport has experienced declines in the number of flights and passengers as a result of the severe economic recession affecting the aviation industry and airports across the nation. Traffic is now about 9 million passengers annually, compared to nearly 11 million five years ago, and daily departures have fallen from approximately 190 to 140 as airlines cut flights throughout the aviation system. New air service and future income-generating development of the airport property are important work for the next five years.

## ***#2 Forge Connections to Innovation Regions Globally for Mutual Economic Benefit***

The 2003 Strategy emphasized that San Jose's business, personal, and institutional ties to other innovation-based regions were a source of competitive advantage. Over the last five years, the City has experimented with different models for relating to other technology regions globally to accelerate business partnerships, trade, and inward investment.

*Top Accomplishments from 2004-2009*

- Established first-of-its-kind Economic Partnership Agreement with the Cambridge/East England region with collaboration in higher education, business attraction, and aviation.
- Forged working relationship with Oulu, Finland that resulted in 15 wireless prospects and five Finnish start-ups locating in San Jose.
- Developed a pilot partnership with specialist firm in Europe to recruit specific foreign investment to San Jose.
- Joined the Bay Area Council in creating partnership with Yangtze River Council/Shanghai region to encourage cross-investment in clean-tech and other fields.
- Revised the Sister City guidelines to improve transparency, accountability, and flexibility.
- The International Business Cluster was transformed and rebranded as the U.S. Market Access Center, and achieved full occupancy.

***#3 Develop Strategic Partnerships with San Jose State and Other Universities to Drive Innovation and Economic Impact***

The 2003 Strategy drew attention to San Jose State University as a unique asset for the city's economic development. The opening of the joint Downtown-University library in August, 2003 illustrated the power of proactive city-university partnership. The 2004-2009 period brought a much-strengthened working relationship between city and university executive leadership, and increased awareness of SJSU in San Jose and the region.

*Top Accomplishments from 2004-2009*

- Established the SJSU-City Executive Team as an ongoing platform for communication and project collaboration among the senior leadership teams of the two institutions. The Executive Team successfully sustained its work as intended through several different city managers and university presidents.
- Launched 01SJ, with the City and University among the catalytic founding partners. Two international-caliber contemporary art biennials were held with the third set for September, 2010.
- Established the Public Sector Career Initiative to interest SJSU students in local government careers, and provide opportunities for City employees at SJSU.

- Expanded the nationally recognized CommUniverCity Service Learning Partnership, which has provided 53,600+ hours of volunteer student, faculty, and staff assistance to the Five Wounds/Brookwood Terrace Neighborhood.
- Extended the City's successful Teacher Housing Program to include SJSU faculty and staff.

In the future, now that a strong working relationship has been built with San Jose State leadership, it is possible going forward to integrate SJSU collaborations into all appropriate Economic Strategy Goals (i.e. rather than having a stand alone SJSU goal.)

**Major SJSU-City Collaborations: 2004-009**

Public Sector Career Initiative  
O1SJ "Art on the Edge" Biennial  
CommUniverCity Service Learning  
Faculty/Staff Homeownership Program  
New Business Incubators  
SJSU 150<sup>th</sup> Anniversary Celebration  
Physical Integration of SJSU & Downtown  
South Campus District Planning

#### ***#4 Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley***

The 2003 Strategy called for evolving and positioning Downtown San Jose as a critical asset for the entire Silicon Valley region--a vibrant place where arts and entertainment, shopping and dining, business and entrepreneurship, and urban learning and living all come together as a distinct reflection of San Jose and Silicon Valley. Despite the dot-com bust and current recession, the Downtown has sustained noticeable, positive momentum. Focus group participants convened for this Strategy Update consistently cited the improved attractiveness, vitality, and sense of community in the Downtown.

*Top Accomplishments from 2004-2009*

- Rehabilitated the last set of vacant unreinforced masonry buildings, dramatically improving their appearance and re-use potential.
- Opened the new City Hall and MLK Library, raising architectural sights and attracting over one million visitors annually.

- A total of 2,421 housing units were completed Downtown in the last five years, including 860 which are the city's first high-rise units.
- Completed substantial facility upgrades to the Civic Auditorium, Montgomery Theatre, Center for the Performing Arts, and Institute for Contemporary Art.
- Partnered with 1stACT to communicate widely the Downtown San Jose vision, attract resources, and drive change, resulting in more pedestrian-oriented "small wonders" (such as sidewalk cafes, landscaping, public art) and improved activation of the SoFA creative district.
- Undertook the Responsible Hospitality Institute assessment to improve Downtown's nighttime economy and, as recommended, added City Manager's Downtown Coordinator to ensure alignment of City departments on forward-moving agenda.

### ***#5 Support Start-Up and Growth of Local Businesses, Small and Large, in Tech as Well as Non-Tech Fields***

The 2003 Strategy said that San Jose should actively encourage the establishment of new businesses and the growth of existing businesses, from venture-backed start-ups to "mom and pop" small businesses. The Strategy recognized the importance of growth-oriented businesses in accelerating job generation, as well as the importance of traditional small businesses as an avenue of opportunity for residents, including new immigrants. In the last five years, San Jose has helped many growing companies expand their operations, and has also developed a solid support program for small businesses.

#### *Top Accomplishments from 2004-2009*

- Established BusinessOwnerSpace (Businessownerspace.com), San Jose/Silicon Valley's network of 35 organizations offering comprehensive support services to entrepreneurs and small business owners. This Web 2.0 site and materials were translated into Spanish and Vietnamese; nearly 70,000 businesses have been served since BOS was launched in October 2007.
- Assisted with the expansion/relocations of marquee "driving industry" companies in North San Jose and Edenvale, such as eBay, Cisco, Hitachi Global Systems, IBM, Epson Electronics, Sony, Brocade and Ultratech.
- Successfully extended and expanded the Enterprise Zone program, offering state tax incentives to businesses located in certain areas.

- Led creation of San Jose’s Green Vision, developed the associated CleanTech strategy, and contributed substantially to the regional Climate Prosperity Plan.
- Continued support for small and emerging businesses through the Entrepreneur Center, the Environmental Business Cluster, U.S. Market Access Center, and SD Forum.

### ***#6 Improve Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating in San Jose***

The 2003 Strategy called for a redoubling of efforts to improve the speed, consistency, and predictability of the development review process. It also called for city government to help restrain the costs for business to operate in San Jose, in order to encourage investment, innovation, and efficiency. Over the last five years, the City’s development services team has become much more performance data-driven and customer-oriented, and has made significant, measurable improvements to the development review process. While several special programs have mitigated cost escalation, the 2006-2007 Cost of Development Survey shows that the public-policy induced development taxes of building in San Jose remain higher than in most other Silicon Valley cities for both commercial and residential development. This is particularly challenging as the City’s development services function is 100% cost recovery and receives no subsidy from the General Fund to underwrite planning and permit review costs.

#### *Top Accomplishments from 2004-2009*

- Implemented the “One Start” Development Center approach to service delivery to provide assistance from multiple departments through a single customer service function.
- Implemented the Special Tenant Improvement (STI) Program and the Industrial Tools Installation (ITI) Program to expedite approvals of investment in new offices and equipment.
- Amended key Industrial Zoning Code provisions, changing uses from Conditional to Special and transferring decision-making authority to the Director of Planning.
- Expedited planning review and inspection services for small projects.

- Working with the Chamber of Commerce and other development customers, began streamlining the development review processes and aligning services around customer needs (e.g., meeting with customers shortly after applications intake; using performance targets to ensure timeliness, quality, and customer satisfaction; improving consistency between all City departments involved in the evaluation and/or inspection of development; more on-line information and services.)

## ***#7 Make San Jose a Tech-Savvy City; Lead the Way in Using Technology to Improve Daily Life***

In creating the 2003 Economic Strategy, San Jose residents and business leaders expressed strong interest that San Jose distinguish itself as a place that visibly encourages, showcases, and uses technology to improve daily life. Doing so can stimulate economic development and differentiate San Jose as an interesting place to live and visit. Aspirations were to use technology to increase government service and efficiency, as well more visible manifestations of innovative technology applications throughout the community.

### *Top Accomplishments from 2004-2009*

- Developed the Parking Guidance System for Downtown, and the free wifi offering in all outdoor areas of Downtown.
- Pioneered internet-broadcasting of City Council meetings, and searchable video archives.
- Improved major IT systems at City Hall: Converged Network Communications, the Integrated Customer Billing System, and the Customer Contact Center.
- Achieved 100% broadband coverage (DSL or cable access) to every home and business in San Jose.
- Adopted new Demonstration Policy for using City facilities and property to demonstrate the effectiveness of new technology-based products; launched four demonstrations.

While there have been several important achievements, the city has struggled to lead in the thoughtful use of technology to modernize government; sustained investment in basic organization-wide IT systems to improve productivity and customer service has not been able to be prioritized in the face of the City's on-going structural budget deficit.

## **#8 Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs**

The 2003 Strategy called for special attention to supporting sectors that could diversify San Jose's economic base and create middle-income jobs. Over the last five years, bioscience and clean-tech provided specific diversification opportunities. Dialogue has been ongoing about the importance of preserving light and heavy industrial lands as a tool to preserve middle-income production jobs and city tax revenue.

### *Top Accomplishments from 2004-2009*

- Opened the San Jose BioCenter to incubate start-up life science companies; Biocenter is 100% occupied and is anticipating doubling its space next year.
- Aggressively pursued clean-tech companies to locate in San Jose, providing five with targeted financial assistance. Earned recognition by *Business Week* as America's #1 Center for Clean Tech.
- Through work2future (the federal Workforce Investment Board operated by the City, serving southern Santa Clara County), supported career awareness, training, and career path development for mid-wage jobs, especially in health care, bioscience, cleantech, retail, hotel industry, and the trades.
- Adopted a Framework for Conversion of Industrial Lands, helping to preserve the city's tax base and production-related jobs.
- Assisted four Driving Industry companies, through the federal Community Development Block Grant Program, in purchasing equipment and hiring low- and moderate-income people.

In contrast to these achievements, over the last five years the City has lost ground on the number of acres zoned for light/heavy industrial uses--lands which are critical for mid-wage jobs in production, construction, and the trades.

## **#9 Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning**

The 2003 Strategy urged San Jose to strengthen its focus on preparing residents to participate in the regional economy, from youth through older adults. This included transforming San Jose's K-12 system into an economic asset, continuously upgrading

the skills of the local workforce, and enhancing community infrastructure that helps people, especially lower-income residents, participate in the economy and improve their well-being.

Over the last five years, San Jose has become a statewide leader in forging connections between workforce development and economic development, chiefly through the efforts of work2future (the city-managed Workforce Investment Board serving southern Santa Clara County).

*Top Accomplishments from 2004-2009*

- Placed over 90% of clients in jobs related to growing industry clusters identified in the 2003 Economic Development Strategy.
- Served more than 100,000 people/year through three one-stop centers.
- Developed customized training programs for a wide range of demand occupations including those related to health care, clean technology and hospitality.
- Exceeded all federal performance measures for youth, adult, and dislocated job-seekers and received state incentive funds for this achievement. Achieved this accomplishment while serving youth and adult clients featuring significant barriers to employment.
- Brought financial literacy education and tools to low-income San Jose households through the “South Bay Saves” initiative, earning recognition for partnering with the IRS to assist low-income wage earners in securing the federal Earned Income Tax Credit.

***#10 Continue Emphasis on Developing New Housing, Including New Housing Types in a Variety of Neighborhood Settings***

The 2003 Strategy reiterated that the high cost of housing is an ongoing challenge to the competitiveness of the Silicon Valley region. The Strategy encouraged San Jose to lead in spurring a wider range of housing types, and the quality integration of new housing into diverse neighborhood settings. During the last five years, the City’s Housing Department has strengthened San Jose’s position as a statewide leader in the production of affordable housing. Across the city, a wider variety of housing types are evident in infill and transit-oriented settings, including smaller-lot single family, mid-rise communities offering studios to large homes, and now high-rise developments.

*Top Accomplishments from 2004-2009*

- Permitted 11,560 new housing units—6,800 market rate and 4,760 affordable.

- Continued emphasis on transit-oriented residential development; 24,785 transit-oriented residential units have been completed (5,279), are under construction (1,000) or are approved but have not yet started construction (18,056).
- Received A+ rating from the Bay Area Council for the city's efforts to produce its 'fair share' of the region's housing needs across income categories.
- Incentivized and approved nearly 900 units of the first high-rise urban housing in Downtown.
- City Council approved a pilot program allowing limited development of secondary units.

### ***#11 Revise Key Land Use and Transportation Policies to Reflect the New Realities of the San Jose Economy***

The 2003 Strategy argued that structural change in the San Jose economy created the need to use land in more efficient, flexible, and integrated ways. It emphasized enabling reuse of already developed land, and more connectivity among a broad range of travel options. In the 2004-2009 period, Council approved a series of significant policy reforms that expedite development and strengthen connections between land use, transportation and economic growth.

#### *Top Accomplishments from 2004-2009*

- Approved the North San Jose Area Development Policy to transform North San Jose into a mixed-use, moderate density, modern innovation district with capacity for 83,000 jobs, 32,000 housing units, and retail. This Policy received an American Planning Association Award for Excellence.
- Updated the Citywide Transportation Level-of-Service Policy to enable more walkable, moderate-density environments along transit corridors and in special mixed-use districts. This policy innovation brought needed clarity to the development community, and received national recognition as a progressive, well-thought-out approach.
- Approved the updated Downtown Strategy Plan and certified the master Environmental Impact Report, allowing for streamlined development of up to 10 million square feet of new office space, 2,500 new hotel rooms, 1.2 million square feet of retail space, and 10,000 housing units.

- Secured approval of the Pacheco Pass corridor as the route for California High Speed Rail and passage of key financing measures for California High Speed Rail (2008 State Proposition 1A) and for BART extension to San Jose (2008 Measure B).
- Initiated the General Plan Envision 2040 Update to further alignment of city land use policies with San Jose's changing economy and population.

### ***#12 Encourage Sporting Teams, Events, and Facilities, Professional as well as Amateur***

The 2003 Strategy called for attracting professional sports teams and major athletic events consistent with the City's position as the largest city in the Bay Area and the 10<sup>th</sup> largest city in the nation. San Jose has made major progress in this area.

#### *Top Accomplishments from 2004-2009*

- Negotiated agreement with owners of the Earthquakes to return Major League Soccer to San Jose and ultimately build a stadium on city-owned land near the airport.
- Acquired land and completed the economic impact and environmental analyses for potential ballpark site for the Oakland A's in the Diridon station area.
- Recruited three new national sporting events now occurring annually: the Amgen Tour of California, the Rock N Roll Half Marathon, and the LIVESTRONG Challenge. A fourth event, the San Jose Grand Prix, attracted 300,000 attendees during its three-year run.
- Positioned San Jose as a center of Silicon Valley's extensive cycling culture, with production of the annual "King of the Mountain" ride and the inaugural San Jose Cycling Classic (in addition to the Amgen Tour and LIVESTRONG Challenge).
- Through the San Jose Sports Authority, competed successfully to host major national athletic competitions---including the 2007 National Gymnastic Championships, NCAA Regional Men's Basketball Finals, NBC Dew Action Sports Tour, Pac-10 Women's Basketball Tournament-- as well as the 2006 U.S. Olympic Team.

### **#13 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability**

The 2003 Economic Strategy documented that San Jose was 20% below its retail potential, forcing residents to shop in other cities and resulting in the loss of millions of dollars in potential sales tax revenue each year. The Strategy encouraged the development of large retail sites in underserved areas, as well as support for small-scale retail in neighborhood business districts. Large-scale retail is essential for capturing the fiscal benefits from San Jose's population growth; neighborhood retail is essential for improving quality of place.

In the last five years, retail development became a high, shared priority between the City and the Redevelopment Agency.

#### *Top Accomplishments from 2004-2009*

- Opened three major new shopping centers that provide underserved neighborhoods with quality retail: Plaza de San Jose, San Jose Market Center, and the Plant (adding \$3 million in new City revenue).
- Added high-sales-tax generating retail stores in other locations throughout the city: Costco, Kohl's, Lowe's (adding \$2 million in new City revenue).
- Supported the improvement of 10 neighborhood retail business districts, and encouraged the opening of 163 new businesses. Supported the opening of 114 new businesses Downtown.
- Assisted the renovation of Oakridge and Eastridge Shopping Malls, and the expansion of Santana Row.
- Established Business Use Tax Cooperation Program, and began recapturing sales tax paid by local businesses that was not allocated to San Jose (\$2.3 million).

*Despite these significant accomplishments, five years later San Jose remains 20% below its retail potential. New retail development has kept pace with population growth, but has not at all made up for the serious retail deficit situation created in the past.*

***San Jose remains 20% below its retail potential, given household income and demographics***

## #14 Communicate a Compelling, Consistent Community Identity for San Jose

The 2003 Strategy argued that it was time to address San Jose's unclear identity and low stature within the Bay Area region, nationally, and internationally. The lack of investment in external messaging was undermining the City's ability to wield influence and attract companies, talent, visitors, and financial resources. Over the last five years, the City has made tremendous progress in conveying its unique attributes and accomplishments in national and international media. Among the most significant achievements:

### Top Accomplishments from 2004-2009

- Developed a research-based message defining San Jose as the "Capital of Silicon Valley", emphasizing creativity, innovation, opportunity and our distinct role in incubating and inspiring the future.
- Secured cooperation of city officials, partner institutions, and area companies in using this unified message, successfully extending its reach and leveraging city investment.
- Developed working relationships with hundreds of national and international media who previously didn't know San Jose or believed it to be "a suburb of San Francisco", a "one-horse town" or a "commuter city" with no distinct, well-known attributes.
- Achieved extensive, on-message coverage of San Jose's accomplishments, attributes, and aspirations in national and international business media. Specific inquiries resulting from this coverage demonstrated the importance of credible city media visibility to economic development.
- Made significant improvement on the recognition and perception of San Jose among a sample of Chief Marketing Officers.

***"We have a more clearly articulated a sense of who we are, and where we're going, than ever before."***  
- Senior City executive

***"San Jose does not have a strong, well-known brand identity."***  
- Focus Group participant

Essential to achieving these results were the hiring of a strategic communications professional in the Office of Economic Development, and ongoing engagement of a global media relations firm. Despite progress from a zero base, focus group

participants expressed concern that the city is not doing enough to promote itself and communicate its strengths.

### ***#15 Engage Private-Sector Leadership for San Jose's Economic Strategy***

*The 2003 Strategy emphasized that economic development needs to be a public-private, cross-sector team effort. City staff across all departments and elected officials must work together provide leadership to implement city government's role in enabling a strong economy. But many other sectors—business, education, nonprofit, community—have important roles to play in advancing San Jose's economic future. And a focused, public-private advocacy voice is needed in Sacramento and Washington, D.C.*

#### *Top Accomplishments from 2004-2009*

- The Mayor met one-on-one with 150+ CEOs of San Jose-based companies to express appreciation, explore partnership, and encourage them to grow here.
- Strengthened alliance with Silicon Valley Leadership Group and Joint Venture Silicon Valley to advocate for city priorities at the regional, state, and federal levels.
- Launched a unified Business Appreciation outreach effort, with staff meeting with 500+ local companies in the last five years.
- Initiated recognition commendations of companies at San Jose City Council meetings
- Developed the cross-department Regional Influence Team to advocate for policy alignment and resource allocation in the Bay Area through stronger representation on regional organizations like the Metropolitan Transportation Commission, Association of Bay Area Governments, and Bay Area Air Quality Management District.

## Looking Forward: 10 Major Forces of Change

Research and outreach for this strategy point to several fundamental conclusions.

*San Jose is a city with very strong forward momentum.* Residents and outside observers alike notice significant progress made the last five years in a variety of important areas.

*Over the next five years, San Jose must meet two needs:* the urgent need to regain jobs for its growing population, and the fundamental need to fashion an outstanding business and living environment that can compete with the world's best cities over the longer term.

*As the nation comes out of recession, the economic and competitive environment will be characterized by uncertainty, volatility, heightened competition, and slower growth.* To succeed, the City of San Jose must be aggressive, focused, flexible, and opportunistic. The City must differentiate itself in an increasingly noisy marketplace of competing communities.



At the same time, the City must recognize that many state, national, and international factors will affect the context for economic recovery and are out of San Jose's direct control.

*Over the next five years, the City of San Jose will begin confront a set of fundamental forces of long-term change—economic as well as demographic—that will begin to play themselves out.* These shaping forces will alter the environment in which our city and its economy succeed or falter the next 20+ years. If San Jose can anticipate, understand, and work with these forces of change, the community can harness change to its advantage. The section that follows identifies these 10 major forces of change, and some implications for San Jose's focus the next five years.

### **Forces of Change Affecting the San Jose Economy**

The following 10 significant long-term shifts underway today are most relevant to cities like San Jose. Most represent a marked departure from the last 25 years. These forces of change both create opportunity and expose weakness or vulnerability.

#### *Economic Forces*

- More Moderate Job Growth, New Economic Engines
- Steady Pressure on Manufacturing and Other Middle-Income Jobs
- Transition to Low-Carbon Economy
- Shakeout in Venture Capital Industry, Transforming Financial Model for Innovation
- Asia Becomes New Center of Gravity
- Competing on “Right Brain” Creativity and Design
- Growing Disconnect Between Economic Growth, City Tax Base, and State Investment

#### *Demographic Forces*

- Substantial Population Growth in Young Adults and Seniors
- Increased Workforce Reliance on Locally Educated Children of Immigrants
- Growing Demand for College-Educated Workers; Shortages Predicted

### ***More Moderate Job Growth, New Economic Engines***

A number of factors points to more moderate job growth over the next two decades than what we experienced in the past. In the near-term, the current recession is likely to continue well into 2010-11 and many predict that job growth in the recovery period will be weak (a “jobless recovery”). Forecasters expect a multi-year period of sustained adjustment to more reasonable consumer spending rates, and continued workout of property and credit markets. While there is fairly robust growth potential in 2012-2020 time period, after that the baby boomer retirement wave pushes overall job growth slower.

Once recovery begins, most job growth nationally will come from different firms and sectors than where jobs were lost. Economists predict continued shedding of jobs in old-line industries, and the creation of new positions in brand new fields. And, even in recovery mode, there will be intensifying global and regional competition, high uncertainty and volatility. The rate at which big companies lose their leadership positions in their industry sector will increase.

*For decades, San Jose has been troubled by weak job growth relative to growth in housing and population. Among the top 20 cities in America, San Jose is the only city whose daytime population of workers is smaller than its nighttime population of residents. San Jose's share of all jobs in Santa Clara County (40%) has shown no improvement this decade. The city's ratio of jobs-to-employed residents has not improved either, and is a factor in the city's weak fiscal position. The work of the Office of Economic Development and Redevelopment Agency has helped maintain San Jose's relative position, but other jurisdictions in the County continue to attract relatively more jobs and investment and San Jose continues to build relatively more housing.*

*An environment of slower job growth means that San Jose will have to compete even harder to grow its job base in an absolute and relative sense. Leaders from all sectors may need to recalibrate historical expectations about job growth, and related real estate development, that comes with economic recovery. Moreover, as companies emphasize virtual work, real estate efficiency and carbon footprint reduction, growth in jobs may not translate as readily into new real estate development.*

*Locally, a number of sectors are projected to grow jobs: health care, cleantech, web-based software and services, bioscience, retail, and business, professional, technical, and personal services (including those related to an aging population). San Jose should expect ongoing "creative destruction"—significant volatility in job additions and eliminations due to ongoing, intensifying competition. For example, more than half of the companies born in the 1990s have gone out of business in the last 10 years. San Jose should be very aggressive about securing company expansions and locations, prudent about relying too heavily on a single industry or large company, and opportunistic as new job-generating opportunities appear. The city should place a particular emphasis on attracting more growth-oriented start-ups, so more successful ones will have San Jose headquarters.*

### **Steady Pressure on Manufacturing and Other Middle-Income Jobs**

Silicon Valley, like the nation as a whole, is losing middle-income jobs (paying \$30,000-\$80,000) at a faster rate than higher-end or lower-end jobs. Joint Venture Silicon Valley found that from 2002-2008, middle-income jobs fell from 52% to 45% of the workforce. There was a net loss of more than 50,000 middle-income jobs during the period.

All projections for the U.S., California, and San Jose/Silicon Valley show continued absolute decline in manufacturing jobs long term. Manufacturing jobs in the San Jose area declined 39% since 2000, accounting for more than half (96,800) of the total job loss (175,400). Nonetheless, San Jose is still a manufacturing-intensive economy with 17.4% of its job base in manufacturing, compared with 8.8% statewide. Companies that manufacture locally are a critical part of a balanced economy and of Silicon Valley's innovation habitat, yet their viability has been challenged by land use practices and economic pressures.

Workers in many middle-income service jobs are challenged to retain their standard of living. For example, health care costs have risen four times as fast as employee incomes the last 10 years.

*San Jose can differentiate itself by aiming to retain and strengthen its middle-income job base, trying to minimize the bifurcation in job structure that troubles other cities. The manufacturing challenge is a strategic opportunity for San Jose, which has land and facilities that can be used for production-related to clean technology, electronics, and support industries. There is clear opportunity to preserve and strengthen the job base on industrial lands. The work of the Task Force for the Envision 2040 General Plan Update is very important in this regard – the preservation and retention of appropriate planned and zoned land for manufacturing purposes in the face of competing uses is critical to the City's long term economic success. There is also need to train residents for middle-wage service jobs in growth areas like health care and in sectors anticipating need for significant replacement workers.*

### **Transition to Low-Carbon Economy**

To tackle climate change, the world must shift to a low-carbon economy—one that dramatically reduces the amount of greenhouse gasses sent into the atmosphere while continuously improving productivity. Countries, states, and cities around the world are adopting bold environmental goals and emission reduction targets to combat global climate change. In time, there will be in the U.S. and globally a mechanism to raise the cost of carbon-based energy relative to clean sources. Clean technologies that aid clean energy, energy efficiency, green transportation and resource conservation will transform the entire economy. Government at all levels will take a lead shaping role. Not since the days of DARPA (Defense Advanced Research Project Agency) and Sematech has federal government investment in research, development and infrastructure support been so critical in enabling a new industry.

*San Jose is one of the few cities that linked its environmental efforts early on to its economic development strategy. Continuing on this course, San Jose can be the world center for clean technology innovation. Worldwide competition for clean tech jobs will be intense; success will require innovative local policies and partnerships as well as a robust advocacy effort with the federal government. Given the substantive financial incentives being offered by competitors such as Texas and Florida, it may be necessary for the City and State of California to raise the level of direct investment to support company location.*

### **Shakeout in Venture Capital Industry, Transforming Financial Model for Innovation**

Experts anticipate further consolidation in the venture capital industry (460+ firms), and fundamental transformation of the once-robust partnership between Silicon Valley and Wall Street that funded the start-up, growth, and public introduction of

innovative companies for decades. The number of public companies in Silicon Valley fell for the eighth consecutive year in 2008, to 261. (By comparison, there were 315 in 1994, and 417 at the peak of the dot-com peak in 2000.) To sustain the region's entrepreneurial engine, new models will need to be developed for funding entrepreneurs and rewarding innovation.

In the future, more young firms will likely be acquired, rather than go public. Funding available to entrepreneurs from venture capitalists and angel investors could be low for several years while this financial model shifts. Large, high-tech companies are getting more involved in seeding and nurturing young companies who are potential acquisition targets.

*While several significant high-tech companies were born in San Jose (such as eBay), the city traditionally has been a place for expansion of companies started further north on the Peninsula. To strengthen its role as an important entrepreneurial hub of Silicon Valley, city leaders should cultivate relationships with venture capitalists and large, high-tech companies that can encourage location of affiliated start-ups in San Jose. Sustaining a robust pipeline of new, growth-oriented start-ups is critical to the future of San Jose/Silicon Valley.*

### **Asia Becomes New Center of Gravity**

By 2020, three of the five largest consumer economies will be in Asia (EU, US, China, Japan, India). China, in particular, is in a race for dominance and pushing toward homegrown innovation with growing investment in education and R&D and creating a more innovation-oriented regulatory environment. China is offering significant subsidies for U.S. companies and entrepreneurs, and welcoming Chinese with extensive experience in Silicon Valley. As recently as 1870, China and India were the two largest and most important economies in the world, together commanding 29% of world GDP. Over time, the share of world GDP accounted for by these two countries will likely once again more closely reflect the size of their population. For Silicon Valley and the U.S, this is both healthy competition, as well as a serious wake-up call to strengthen our own competitive factors.

*The emergence of China and India as rising economic powers creates economic opportunity for San Jose, which has extensive cultural connections to both countries. More than 58,000 people of Chinese descent live in the San Jose area, as do more than 27,800 people of Indian descent. These are the largest such populations in the Bay Area. San Jose can differentiate itself for its concentration of people skilled at managing cross-border, cross-cultural innovation across the U.S. and Asia. San Jose can become home to Chinese and Indian companies seeking a U.S. headquarters, sales office, or R&D operation. A specific niche with China is assisting cross-border collaboration in clean tech and emissions reduction. The increasing orientation of the business world toward Asia means that San Jose needs to strengthen air service to this region.*

## Competing on “Right Brain” Creativity and Design

As an innovation-based economy, Silicon Valley companies value creativity—the ability to generate new ideas, and to link ideas in novel, non-routine ways. High-end creative capacities—such as originality, divergent thinking, advanced conceptualization, tolerance of ambiguity, intellectual curiosity—have long been essential to devising new products, services, and technologies. A survey of Silicon Valley tech workers found 84% saying creativity is “very important” to the success of their business. At the same time, workers from creative art and design disciplines are making their way into the high-tech workforce as more product value stems not just from a product’s technical features, but from the product’s design, user experience, brand, and other immaterial qualities that attract consumers. This includes people with training in fields like product design, Web design, animation, graphic design, digital media, game design, interactivity, user experience, and brand strategy.

*The opportunity for San Jose/Silicon Valley is to marry its traditional “left brain” engineering culture and technical strengths with increasingly important “right brain” talent and specialties in design, media*

**“Our competitive edge is moving from hardware to design.”**

**- Steven Levy, Center for Continuing Study of the California Economy**

*and consumer marketing. Competing on this kind of creativity requires more attention to community quality of life and amenities, the context in which creativity is nurtured and takes place. San Jose understands the connections between economic development, cultural development, and the creative workforce, and is a strong partner in 1stACT (art+creativity+technology) regional leadership network. San Jose is home to one of the largest creative arts programs in the nation (SJSU). It helped launch the 01SJ biennial showcasing artistic and corporate creativity and other efforts to create a more compelling cultural vibe in San Jose.*

## Growing Disconnect Between Economic Growth, City Tax Base, and State Investment

California, like other advanced economies, has become a service-based economy-- 72% of all California output is in services, 86% of the California’s job base is in services, and 60% of consumer spending is on services. In California, sales tax and property tax are the two most significant funding sources for local government. Given the shift toward services, there has been a growing disconnect between economic growth and the revenue available to cities to support that growth. Fiscal instability and governance shortcomings at the state level have led to more frequent takings of local government revenue, and disinvestment in the critical underpinnings of California competitiveness: education (K-12 and higher education), transportation, and infrastructure. At the same time that California is undermining community competitiveness, the governments of stronger, more aggressive states and countries

are offering rich financial incentives to help attract companies to their local communities.

*In this era, San Jose simply cannot prosper by its efforts alone. It is not enough for the City to have a smart strategy and sound leadership, the state and nation must also have policies and investments that enable prosperous cities and regions. Because of the State of California fiscal and governance situation, San Jose's credibility as business location is being called into question nationally and internationally and San Jose has difficulty competing against communities in financially stronger, more aggressive states. The City of San Jose, with public and private-sector partners, must be an active force in fighting for secure local government revenue sources that can grow with the local economy, and prioritization of investment in California's economic foundations.*

*"The biggest threat facing the economy of San Jose is the State of California."*

- Focus Group participant

### **Substantial Population Growth in Young Adults and Seniors**

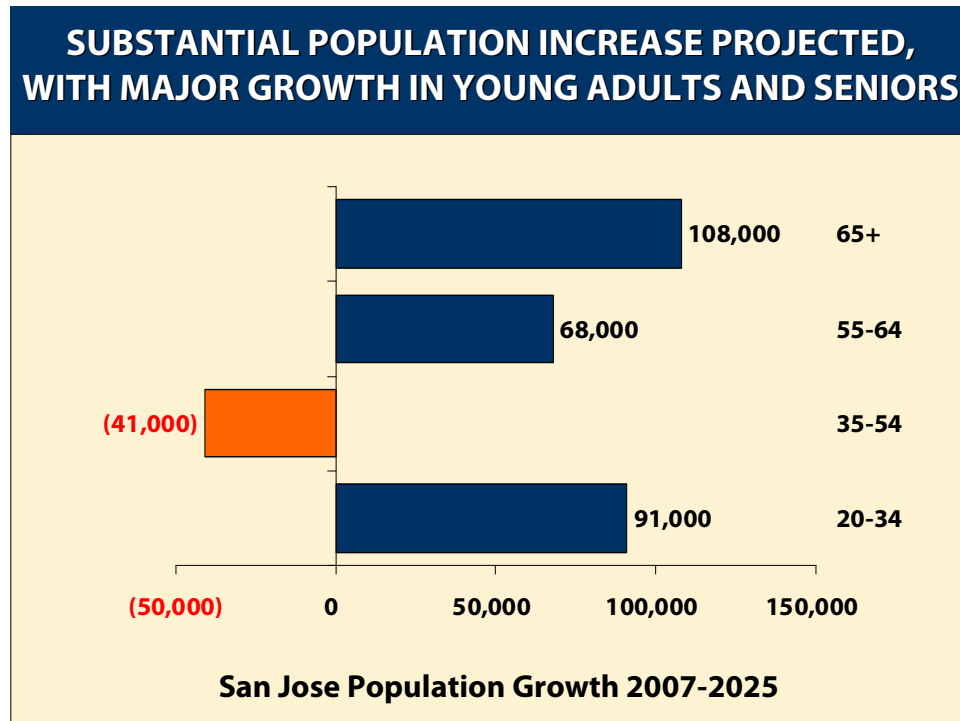
Bay Area population projections indicate that San Jose could add 412,000 residents by 2040—20% more population growth than San Francisco, Oakland, and Fremont (next three largest Bay Area cities) combined. This growth rate (40%) would be slightly less than San Jose's growth rate of the prior 25 years (45%). This population growth is, to a large extent, dependent on job growth from a healthy, competitive local economy.

Between now and 2030 forecasters predict an absolute decline in San Jose's 35-55 year old "family age" population. About 60% of the adult population growth is expected to be in the 55+ category (with most of that in 65+) and the remaining 40% will be in the young adult population (18-34). Eighty five percent of the growth in new household formation is expected to be seniors. This is in stark contrast to the past 25 years, when the large 35-54 Baby Boomer group shaped the housing demand, workforce growth, and community character.

*To succeed economically, San Jose must accommodate population growth in a way that increases the attractiveness, vitality, and efficiency of the city. It must confront head-on the very significant change that will occur in its demographic profile, and determine especially what exceptional growth in the senior population means for housing, transportation, city services, health care, and business development. Elderly residents with disposable income represent an economic opportunity; their needs will re-shape products and services from both the private and civic sectors.*

*San Jose must continue to attract college-educated young adults from other places, as well as better educate its own young people. Residents and businesses remain concerned about San Jose's ability to compete with San Francisco for young creatives and entrepreneurs. The City must develop and communicate its lifestyle assets for young adults and active older adults to counter the perception that San Jose is chiefly about families.*

The City will need to offer housing oriented toward smaller, adult-only households, located in settings especially attractive to young adults and seniors.

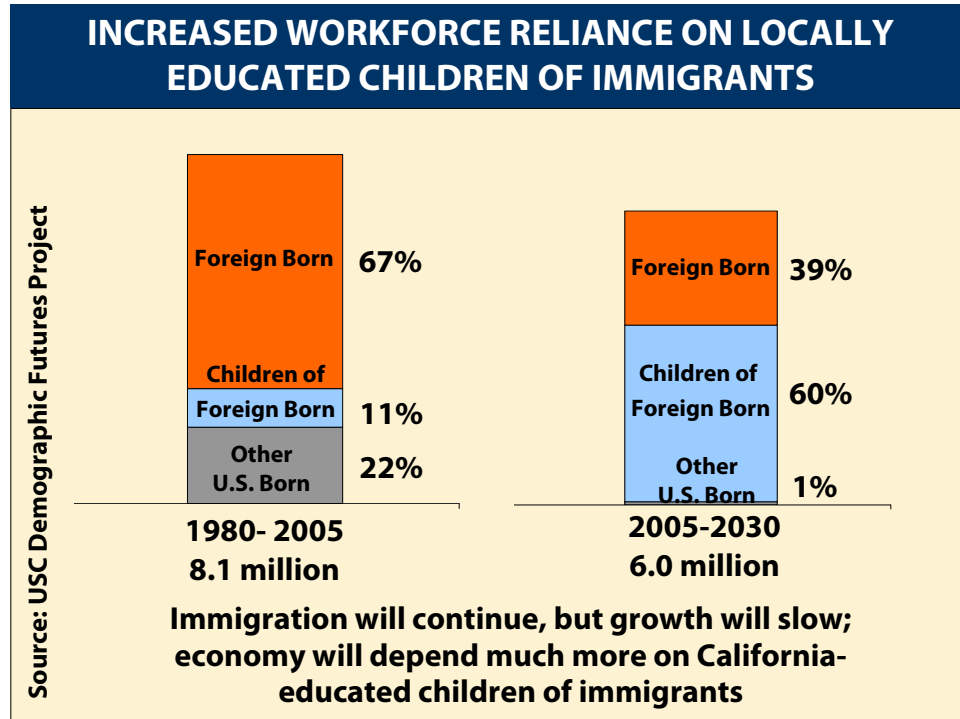


**Increased Workforce Reliance on Locally Educated Children of Immigrants**

From 1980 to 2005, immigrants from other countries and states accounted for two-thirds (67%) of California’s working age (18-64) population growth as the workforce grew dramatically (by 8 million). Over the 2005-2030 period, California’s working-age population is expected to grow by only 6.1 million; due to retirement of the large baby boomer generation and moderated immigration and in-migration from other states. The children of foreign immigrants, educated in California, will comprise the majority (60%) of California’s workforce growth. (Foreign-immigrants will comprise 39%; other U.S. born, 1%)

*Like California, San Jose must prepare for the fact that the sons and daughters of previous immigrants--educated through the local school system--will comprise the majority of Silicon Valley’s workforce growth. San Jose today has a record-high share of its population born in a foreign country (40%, up from 35% in 2000). This international diversity, and generally harmonious relationships among people from different backgrounds, provides distinct and powerful advantage. Roughly half of the entrepreneurial talent fueling the success of Silicon Valley came from outside the United States. Not surprisingly, residents and businesses are very concerned about a slowing stream of foreign-born talent.*

While continued immigration of educated and industrious immigrants remains critical in a world where the majority of new workers will be the offspring of prior immigrants the quality of San Jose’s K-12 and postsecondary education systems rises to the forefront as a critical economic development issue.



**Growing Demand for College-Educated Workers; Shortages Predicted**

Beginning around 1990, California began experiencing a sustained shift in employment toward industries and occupations that require a bachelors’ degree or other formal education beyond high school; this shift in workforce demand is expected to continue. The Public Policy Institute of California predicts that the supply of college-educated workers in California will not meet projected demand; inability to meet this demand will limit the economic growth of the state and its communities. By 2025, 41% of jobs will require a college degree, but only 33% of Californians will have college degree. In addition, the gap in financial earnings between residents with a college degree and those without will grow wider, exacerbating the long-term trend in income inequality.

*The share of San Jose residents with a bachelors degree is 35%, up from 32% in 2000 and 25% in 1990. In San Jose and the Silicon Valley region, the increase in college attainment has been driven chiefly by in-migration of residents born elsewhere in the U.S. or overseas, rather than improved college completion rates of young residents. For example, the percentage of San Jose high school graduates who go on to post-secondary education is less than 50%, and a minority of those actually complete a four-year degree. The single most important factor in determining a community’s long-run economic success is the*

*share of its population with a college degree. A 1% increase in the college attainment rate of San Jose's young adults would mean an extra \$1.4 billion annually to the San Jose economy (CEOs for Cities "Talent Dividend", 2009).*

## Affirming Aspirations: Economic Vision for San Jose

The 2003 Strategy emphasized that having a clear, compelling economic identity—defining what it means to be “The Capital of Silicon Valley—was important for San Jose’s future development. Our community faces aggressive competition from other regions globally that are all vying for talent, investment, and recognition. Because people and companies have many choices of where to live and operate, San Jose must know and clearly communicate what it has to offer and where it is heading.

The initial economic vision for San Jose was created in 2003 through listening to the aspirations of residents and businesses, as well as undertaking a hard-nosed assessment of where San Jose could truly differentiate itself from other cities—from local to global.

*San Jose can be an exciting, economically successful city by realizing and communicating a set of six unique attributes and by aggressively identifying San Jose with the internationally known Silicon Valley. Each attribute builds on current assets and characteristics, but stretches us to develop and express them more fully—transforming nascent indicators of who we are today into a powerful vision of how we will find success tomorrow.*

### Economic Vision for San Jose

As the **Capital of Silicon Valley**, and largest city in the world’s leading region for innovation, San Jose is...

- **A Global Gateway**, a cosmopolitan, international city for leading businesses and talent from around the world
- **A Creative Community** that pioneers innovation within and across technology and business, culture and society
- **An Entrepreneurial Environment** where people from all walks of life start and grow companies, and achieve their dreams
- **A Place of Opportunity**, where residents find a range of rewarding employment opportunities and support to participate in the economy
- **The World’s Most Livable Big City**, with diverse and distinctive qualities of life
- **A Valued Contributor** to addressing the world’s pressing public challenges—environmental, economic, urban

Outreach for the Strategy Update affirmed the general appropriateness of this vision.

One change is recommended from 2003: the substitution of “Valued Contributor” for the former “Tech Savvy City.” Once adopted, San Jose should consider inclusion of language from the city’s economic vision into its new Envision 2040 General Plan.

## Recommended Strategic Goals: 2010-2015

*“If you don’t know where you’re going, any direction will do.”*

- Yogi Berra

*This Economic Strategy Update identifies 12 Strategic Goals that San Jose should pursue over the next five years. Advancing these Strategic Goals will help San Jose fulfill its distinctive vision as the Capital of Silicon Valley, the world’s center for innovation. They will help ensure that the city benefits fully from economic recovery and prepares itself to succeed economically over the longer-term.*

*Over the next five years, San Jose should approach its economic development challenge at two levels.*

- At the most basic level, as the national economy recovers San Jose’s most urgent need is to regain jobs for its growing population and revenue for City services and infrastructure investment.
- At the same time, the City must create the strong, distinctive community success factors required to stay competitive and attractive over the longer term.

Achieving these Strategic Goals will require specific Actions on behalf of the City, as well as other partners. These Actions could be policies, initiatives, or investments. The section below describes each Strategic Goal, and Actions the City could pursue to drive implementation. In many cases, these Actions are already underway to some extent. Others would require a commitment of financial resources or staff attention and should be considered several years out.

A 12-24 month Workplan should be developed as a companion piece to this Strategy. The Workplan would identify the Actions that should be prioritized in the near-term.

## Strategic Goals 2010-2015

### ***Regain Jobs and Revenue***

- #1 Encourage Emerging Growth Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure
- #2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability
- #3 Preserve and Strengthen Manufacturing-Related Activity and Jobs
- #4 Nurture the Success of Local Small Businesses
- #5 Increase San Jose's Influence in Regional, State, and National Forums in Order to Advance City Goals and Secure Resources
- #6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San Jose

### ***Invest for Future Success***

- #7 Prepare All Residents to Participate in the Region's Economic Opportunity
- #8 Advance the Diridon Station Area as Key Transportation Center for Northern California
- #9 Keep Developing a World Class Airport, and Attract New Air Service
- #10 Continue to Position Downtown as Silicon Valley's City Center
- #11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent
- #12 Develop a Distinctive Set of Sports, Arts, and Entertainment, Offerings Aligned With San Jose's Diverse, Growing Population

## **#1 Encourage Emerging Companies and Growth Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure**

For San Jose to thrive as a city, it must attract and sustain a growing concentration of “driving industry” companies that can serve as economic engines of the city and regional economy. The leaders of these companies--whether they are growth-oriented start-ups, established U.S. companies, or affiliates of companies headquartered overseas--typically have many choices about where to locate. The City and its partners should be extraordinarily aggressive to capture a growing share of driving industry jobs in Santa Clara County and the Bay Area. This is essential for the City’s fiscal health, environmental sustainability, and the ability to support significantly more residents.

While it is impossible to predict which companies or sectors will emerge and grow in the future, San Jose should build on its successful track record in encouraging software, life sciences, and clean-tech, and remain alert to new opportunities.

### *Actions to Achieve This Goal*

- Aggressively implement the CleanTech Strategy and Green Vision to make San Jose the “World Center of Clean Tech Innovation.” Create 25,000 Clean Tech jobs, focusing on well-paying jobs for people of all abilities that cannot be outsourced.
- Retain the availability of local incentive funds to help attract companies in clean-tech and other emerging growth sectors.
- Develop new financial tools to improve competitiveness at attracting driving industry manufacturing companies that generate business-to-business sales tax.
- Secure federal and state funding to encourage private-sector investment, such as Department of Energy loan guarantees.
- Explore alternative funding for the expansion of the San Jose BioCenter, San Jose’s life sciences business incubator and laboratory facility.
- Develop the Clean Tech Demonstration Center (at the new San Jose Environmental Innovation Center) to provide a setting, equipment, and support for new environmental technologies, from pilot to demonstration to commercialization.
- Work with industry groups to resolve problems and impediments at the state and federal levels that impede their growth.
- Continue to support the Environmental Business Cluster, San Jose’s clean technology business incubator.
- Showcase and help demonstrate innovations born from San Jose-based companies.

- Strengthen the City's relationship with San Jose State University to encourage SJSU's young entrepreneurs to locate and incubate their emerging growth companies in San Jose.
- Promote the Enterprise Tax Credits as a tool to encourage companies to locate and expand in San Jose.
- Sustain the City's successful small-scale effort to secure national/international business media coverage of San Jose companies, assets, and economic development initiatives as a tool to attract new companies to San Jose and strengthen the connection of existing companies to the City.
- Build and strengthen relationships with venture capitalists who can help promote San Jose as an attractive home for companies in the "start-up" (1-10 employees) and "grow-up" (10-100 employees) phases of development.
- Continue to support and connect to the U.S. Market Access Center as an important tool for attracting foreign companies to "land" in San Jose.
- Actively participate in the Bay Area Council-Yangtze River Council relationship and other networks to encourage Chinese companies to locate in San Jose.
- Leverage the relationship with Pune Sister City, The Indus Entrepreneurs (TiE) organization, and other Indian professional and student networks in the Bay Area to encourage Indian companies to local in San Jose.
- Undertake targeted efforts to attract European companies planning to establish operations in the United States, especially in cleantech, life sciences, and information technology/services.

## ***#2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability***

San Jose should redouble its efforts to add a full range of retail shopping amenities across the city. This is critically important for improving quality of life, increasing the city government's revenue base, and minimizing traffic congestion and carbon emissions.

The retail effort should include the expansion of major regional shopping centers (like Valley Fair), the addition of new community shopping centers (like Market Center), the upgrade of outdated strip malls, the further recruitment of a mix of retail businesses to Downtown, the continued improvement of neighborhood business districts, and the integration of new retail into transit-oriented developments and neighborhood centers. At the same time, San Jose must also advocate for broadening of California's sales tax base to services, which now comprise a full 60% of all consumer retail spending.

*Actions to Achieve This Goal*

- Develop new tools like sales-tax sharing agreements to fund necessary pre-development and transportation improvements to move retail projects forward.
- Expeditiously advance current retail projects on existing sites through the planning stage.
- Encourage project development on major existing sites, including Evergreen Arcadia, Almadent/85, and Hitachi Cottle Road.
- Work to retain car sales companies and car sales sites for tax-generating use.
- Amend the General Plan/Zoning to add more sites for large-scale retail citywide, starting initially with North San Jose and the Coleman Avenue Corridor.
- Enhance Valley Fair/Santana Row retail shopping district, encouraging higher-value uses extending down Stevens Creek and Winchester.
- Identify resources to amend the San Jose Sign Code to make San Jose retail sites competitive with others in Silicon Valley.
- Conduct aggressive business outreach to get results through Business Cooperation Program, reclaiming use tax from large corporate purchases.
- Design the Diridon Area as a destination mixed-used district with a significant component of sales-tax generating shopping and dining—could generate \$2 million+ annually for the city.
- Retain/create more heavy- industrial/light-industrial lands for their potential to generate business-to-business sales tax.
- Encourage the Chamber of Commerce and neighborhood business associations to launch “Buy Local” public education campaigns.
- Prioritize retail projects and related investments in redevelopment project areas that will generate retail sales tax for the City.
- Advocate for State policy change to broaden the sales tax base to include services.
- Encourage new retail businesses to locate in the city’s various Neighborhood Business Districts.

***#3 Preserve and Strengthen Manufacturing-Related Activity and Jobs***

San Jose should take a special interest in supporting the preservation and creation of production-related companies and jobs. Manufacturing, fabrication, and assembly remain an essential part of the high-tech innovation habitat that is Silicon Valley. The opportunity to create a robust clean-technology cluster depends on being able to locate businesses that manufacture, build, and recycle. Production-related jobs in high-tech support, clean-tech, building trades, and other local-serving sectors provide unique and important employment opportunities for non college-educated residents. The viability of production activity has been threatened in San Jose through land use planning decisions that result in residential and other non-related uses encroaching

and causing an array of problems (e.g. noise complaints, crime, inconsistent character of area).

*Actions to Achieve This Goal*

- Preserve industrial lands by aligning land use decisions with the Preservation of Employment Lands Framework.
- Protect and improve trucking and freight transportation access to the City's key employment areas; develop a longer-term access plan that could be pursued in collaboration with the State when funding is available (incorporate into General Plan Update).
- Explore opportunities for more synergy, interaction, and business relationships among the Monterey Corridor Businesses, perhaps through an association.
- Educate San Jose leaders and residents about the green, innovative, technology-based nature of today's businesses in heavy and light industrial areas.
- Change City policies that prevent use of made-in-San Jose recycled materials that are already being adopted successfully in other jurisdictions. Work with green companies to remove State of California barriers to using new, San Jose-based recycled material.

**#4 Nurture the Success of Local Small Businesses**

In San Jose today, 15% of people work for businesses with less than 20 employees; an additional 16% work for businesses with 20-99 employees. While some of these small businesses aim to grow significantly in size, many intend to remain small--providing an income stream to owners, offering job opportunities for residents, and contributing to the fabric of the San Jose community. In times of economic recession, even more people express interested in self employment or starting a small business. Survey data show that more than 200,000 people in the San Jose area see a specific business opportunity they would like to exploit through business ownership.

San Jose should continue to welcome and encourage small business owners from all walks of life. The City should continue its comprehensive effort to encourage and retain small businesses, chiefly through the BOS (BusinessOwnerSpace) network of 35 small business resource providers, including Entrepreneur Center service providers and several Redevelopment Agency programs.

*Actions to Achieve This Goal*

- Actively recognize and promote BOS as the core element of San Jose's small business support strategy.
- Determine how to meet growing demands for technical assistance from unemployed people wanting to go into business for themselves.

- Develop a new on-line forum to connect businesses to resource providers in real time, a new on-line "how green is your business" self assessment tool, and new on-line job and procurement fairs.
- Integrate oversight of small business strategy, services, and evaluation into the responsibilities of the work2future board, which oversees BOS and work2future small business outreach and services.
- Convene lenders subject to the Community Investment Act (CRA) to assess opportunities for developing public-private partnerships to increase access to small business credit.
- Increase the number of business served through resources at the Entrepreneur Center.
- Strengthen connections between SJSU and the network of small business support providers, drawing on university expertise for small business advising and training.
- Reinstate the Small Business Ambassador program to assist small restaurants in navigating the planning and permitting process.
- Develop a new master permit program for small-retail leases in large shopping complexes.

### ***#5 Increase San Jose's Influence in Regional, State, and National Forums in Order to Advance City Goals and Secure Resources***

San Jose should strive to gain credibility and exert influence commensurate with its status as a "Big Ten" U.S. city and the largest city in Northern California. San Jose has made progress learning how to advocate for its interests as a unified, more powerful voice, but must make significant strides to match its peers in effort or results. Success will require partnership between the political and professional sides of the city, as well as between San Jose, private partners, and other large cities. Many of the most important forces shaping San Jose's future lie at the state and federal levels outside of San Jose's direct control; the City, however, can and must more aggressively cultivate and use its influence to shape policy and secure resources.

#### *Actions to Achieve This Goal*

- Be an active force with Silicon Valley's public-private leadership and other cities in advocating that state budget and tax reform address the growing disconnect between economic growth and local government revenue sources. Advocate for broadening the tax base—not just 'no more state takeaways.'
- Secure a seat on the Metropolitan Transportation Commission, the Bay Area's federally designated metropolitan planning organization.
- Secure staff voting rights on ABAG in the Mayor's absence, similar to the provision made for San Francisco.

- Support San Jose' new representation on the Bay Area Air Quality District Board.
- Implement the Clean Tech Legislative Agenda, seeking to encourage job creation in clean tech sectors.
- Work with the State to develop new statewide economic development incentives.
- Establish regular communication and joint initiatives between the Mayor/Council of San Jose, and their counterparts in Los Angeles, San Diego, and San Francisco, to advance the importance of large cities in job creation and innovation.
- Establish regular communication and more joint advocacy work with the "Big 10" largest cities nationally.
- Join efforts to advocate for H1B temporary visas for highly skilled workers, including more visa slots for foreign students graduating with advanced technical degrees from U.S. universities.
- Step up education and communication efforts about San Jose in the Bay Area, emphasizing that the Bay Area now has two major urban centers of population and jobs.
- Promote San Jose's transportation policy initiatives to help guide statewide policy reform to support implementation of AB32 and SB375.
- Building heightened awareness of San Jose among opinion leaders and decision-makers through smart, focused work telling our story to national media.

***In many ways, state and federal policy has become the largest constraint to local economic development."***

**-Expert Advisor**

### ***#6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating Business in San Jose***

To continue the long-term economic and physical development of San Jose's key commercial and industrial areas, the City should provide a responsive, clear, and consistent approval process, while minimizing the impact and cost to new and expanding business. The City must recognize that time-to-market is crucial—even more so in a very slow, unstable development environment—and should continue to work with other agencies and levels of government to streamline project approvals.

*Actions to Achieve This Goal*

- Retain the Special Tenant Improvement Program and the Industrial Tools Installation Program to expedite permit review for expanding companies.
- Continue to work closely with the Chamber of Commerce and other development customers on efforts to streamline development review processes and align services around customer needs.
- Continue to improve online service delivery and self-help tools (e.g., online permits for re-roofing and installation of new water heaters; online appointments for building inspections; online permit tracking).
- Keep public policy-induced city fees on development aligned with the benefits of such fees (e.g., parkland dedication ordinance), recognizing the competition from other cities that may not have such fees.
- Have a clear point person for the goal of “reduce costs of operating a business in San Jose.”
- Restore the retail exemption to the Building and Structure tax that expired July 1, 2009.
- Identify ways to fund City staff providing services for projects that provide new development, create significant number of new jobs, or provide opportunity to realize significant revenue generation.
- Help companies access resources for energy efficiency, green building design, and recycled water to help reduce energy, water, and operating costs—including local green building material producers and technologies.
- Continue aggressive promotion of the Enterprise Zone Tax Credits as a tool to reduce business operating costs, and pursue other state and federal assistance programs to support new development and business attraction and expansion.

**#7 Prepare All Residents to Participate in the Region’s Economic Opportunity**

To succeed economically into the future, San Jose should take more concerted action to prepare residents to participate in the region’s economic opportunity, from quality K-12 education to postsecondary attainment, lifelong learning and career transition. The weakened state of California’s K-12 and post-secondary education systems must be viewed as a serious economic development issue.

Research demonstrates that the most significant factor affecting a city’s economic prosperity is the share of residents with a 4-year college degree. While San Jose’s population has high college attainment levels compared with other large U.S. cities, educational attainment has risen chiefly because of in-migration of educated residents. The City of San Jose must engage its partners to increase the share of local youth who successfully graduate high school and then attain a college degree or other

postsecondary credential. At the same time, the City should take its statewide leadership in workforce development to the next level, and play a stronger role in helping workers earn a valuable postsecondary credential.

*Actions to Achieve This Goal*

- Through *San Jose 2020*, provide leadership with the K-12 education community to increase the rate of high school graduation in San Jose, the share of high school graduates prepared for college, and the share of graduates that enter and complete post-secondary education.
- Explore creation of a “San Jose Promise” guaranteeing first-year community college tuition for San Jose high school graduates.
- Enable the creation of more charter and private schools in San Jose to increase the variety of K-12 education options. Help identify sites for charter schools. Consider eliminating City planning review requirement for charter schools, and have them seek approval only from the State Department of Architecture, like public schools.
- Make an effort early on (K-12) to increase awareness regarding emerging demand occupations, required skills, and where training and educational opportunities lie.
- Create partnerships between K-12, community colleges, pre-apprenticeship and apprenticeship programs, and institutions of higher learning. Examples include creation of magnet programs where high school youth can be exposed to curriculum created by employers, and receive credit towards future certificates or degrees at the apprenticeship, community college or even the university level.
- Attract more higher education institutions to locate in San Jose.
- Help reform the federal Workforce Investment Act to a) provide more opportunity to serve in-school, at-risk youth, b) support summer work experience programs, and c) to reduce burdensome eligibility barriers in reaching low-income at-risk youth.
- Through work2future, provide occupational assessment and counseling services to people advance to middle-income jobs through identification of both career ladders (sequential positions) and career lattices (transferable skills).
- Prepare residents to secure jobs in service industries expected to expand significantly—such as health care, retail, education, and government.
- Sustain the collaboration among work2future, Working Partnerships, labor unions, employers, and community colleges to create a system that can steer low-income people towards careers in the green economy—chiefly through a nationally recognized pre-apprenticeship certificate. The creation and application of other employer-recognized certificates could create significant value for job seekers.

- Create business advisory councils for growth sectors, such as health care and cleantech, to move from an ad hoc to a more proactive planning approach.
- Provide key wraparound services—such as child care and transportation—so that lower-skilled job seekers can take advantage of training programs.
- Aggressively pursue federal and state funding to support educational and workforce efforts in support of this goal.

## ***#8 Advance the Diridon Station Area as Key Transportation Center for Northern California***

The development project with high potential to fundamentally shape San Jose’s future is the Diridon Station Area. History demonstrates that regional transportation access can catapult a city’s significance and determine its development prospects. High-speed rail, BART, Amtrak, commuter trains, light rail, and bus rapid transit will all converge in the Diridon Area. In addition, significant development opportunities exist for new sports (including a major league baseball park), entertainment, shopping, office, and residential buildings. These assets can be integrated into a well-designed regional destination—including beautiful public spaces, world-class architecture, landmark public art—that is thoughtfully connected to the surrounding neighborhoods and Downtown Core. Planning for Diridon must be given the highest strategic attention over the next several years to ensure that this transformative opportunity is realized.

### *Actions to Achieve This Goal*

- Complete the Diridon Area Planning Study to identify the most effective strategies for expansion of Diridon Station and for development of station area.
- Continue working with Diridon Area Good Neighbor Committee to sensitively integrate Diridon Station area development with HP Pavilion and surrounding neighborhoods.
- Design an expanded Diridon as a world-class transit hub of functional and architectural significance.
- Support California High Speed Rail Authority to secure approvals and funding to complete the San Jose to San Francisco segment by 2016, and the San Jose to Los Angeles/Anaheim segment by 2020.
- Support Valley Transportation Authority (VTA) to extend BART service to Downtown San Jose and Diridon Station by 2020.
- Develop the Climate Clock as a destination-quality artwork sited in the Diridon Station Area.
- Complete the Los Gatos Creek trail.

- Facilitate land development of Diridon area as an attractive and enjoyable regional destination that is economically vital and elevates San Jose as one of the world's new great cities of the 21<sup>st</sup> century.

### **#9 Keep Developing a World Class Airport, and Attract New Air Service**

San Jose should continue efforts to align the airport with the needs of regional employers, and to make the airport a strategic asset supporting Silicon Valley's position as an innovation center. Over the next five years, San Jose must achieve success in securing nonstop air service to major domestic and international business destinations necessary to support the regional economy, and must ensure the future of long-haul service by maintaining a competitive environment for airline operators. In addition, the City and airport should explore development of the west side of the airport to serve corporate and general aviation markets, gaining associated revenue and economic impact.

#### *Actions to Achieve This Goal*

- Plan to relocate and consolidate long-term parking closer to the terminal to improve customer access, reduce vehicle-related emissions, and achieve cost savings.
- Explore issuing an RFP to develop the property on the west side of the airport to support general aviation demand by Silicon Valley companies.
- Develop effective incentive programs to encourage additional air service and interest carriers to serve SJC.
- Engage Silicon Valley community and corporate leadership to assist the airport and its partners to secure additional air service.
- Continue the partnership with airlines to enhance efficiencies, collaborate with marketing, and plan for future expansion to meet anticipated growth.
- Continue efforts to ensure that SJC is attractive to business travelers with suitable amenities that enhance competitiveness.

### **#10 Continue to Position Downtown as Silicon Valley's City Center**

Through partnership, leaders should continue efforts to make Downtown San Jose "Silicon Valley's City Center"--a vibrant place where arts and entertainment, shopping and dining, business and entrepreneurship, and urban living and learning all come together in an exciting mix. Though the city and region should also have many smaller downtown, neighborhood, and village centers, Downtown San Jose must play a special role as a shared place drawing diverse people together, as a gateway to the broader city and region, and as a distinct reflection of San Jose/Silicon Valley to the outside world.

*Actions to Achieve This Goal*

- With partners, promote Downtown San Jose to major office users to lease existing space (estimated at 1.5 million square feet) and develop new properties.
- Launch a special effort to attract more start-up companies Downtown and create a sense of community among Downtown entrepreneurs.
- Expand and upgrade the Convention Center to increase its capabilities as a modern meeting venue.
- Complete the San Pedro Square Urban Market project, integrating historic resources and new shopping experiences into a cohesive, unique destination.
- Continue making visible progress in SoFA district with investment in street-level amenities, implementation of plan for Gore Park, more activation of public spaces by property owners, and leasing of vacant spaces.
- Continue partnering with 1stACT to support successful execution of “small wonders” and “big deal” projects, and to attract private and philanthropic investment.
- Align city policies, operations and support efforts to achieve a stronger mix of evening and late-night entertainment offerings aimed at broader audiences, including a more robust live music scene.
- Strengthen the pedestrian and bike connections to and through Guadalupe River Park and Gardens, and encourage bold next-stage evolution of the Park.
- Recruit and nurture businesses that bring day and night street-level vibrancy, including restaurants, cafes, art galleries, live music venues, and businesses serving university students.
- Continue encouraging a variety of housing types Downtown: mid-rise and high-rise; rental and for-sale; small studios, large flats, and townhouses.
- Improve street amenities, including upgrading newsracks and bus shelters.
- Implement the Downtown Public Art Focus Plan, including a landmark public artwork, more light-based art, and changing artworks.
- Encourage other education institutions to locate Downtown.
- Retain capacity to coordinate and support signature and smaller events Downtown, with reasonable pricing for City services and permit fees.

***#11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent***

San Jose is projected to add 400,000+ people by 2035, and could add between 340,000-525,000 new jobs. In contrast to some other large cities nationally, San Jose is fortunate to have such strong prospects for future growth. The central question is:

how to evolve the city's design so that the addition of more people and jobs significantly enhances the quality of the city and its ability to attract and retain talent?

From an economic development perspective, the emphasis on growing inward rather than outward is the right one—as is the emphasis on introducing more 'urban' elements into San Jose's traditionally suburban landscape. This includes new housing types mixed with retail, offices, and other uses integrated and concentrated in walkable, attractive, amenity-rich areas near transit connections.

*Actions to Achieve This Goal*

- Complete the General Plan Update, locating new employment and housing in pedestrian and bicycle friendly, mixed use transit corridors and villages supported by parks and other amenities.
- Complete community-based land use plans for new villages and corridors, consistent with the General Plan Update. These plans would identify specific locations and opportunities for parks, employment, entertainment/arts, housing, and other uses.
- Reduce regulations that negatively affect the potential vibrancy of villages and corridors.
- Complete the Diridon Station Area Plan as a vibrant extension of San Jose's Downtown and the convergence of significant transit investment.
- Foster the implementation of the North San Jose Vision, encouraging the development of new housing and parks within an intensified job center.
- Strengthen San Jose's employment centers by expanding pedestrian, bicycle, and transit access and interconnections with other parts of San Jose and the region.
- Continue to promote Downtown San Jose as a location for significant arts/entertainment, employment, and housing, attractive to young professionals as well as aging-in-place empty nesters.
- Locate new City and other public facilities in villages and corridors as important placemaking amenities.
- Attract new developers to San Jose experienced in different housing and mixed-use development forms.
- To the extent possible, facilitate new housing in designated mixed-used village settings to serve households headed by seniors (projected to be 85% of new household formation) and under-35 young adults (15% of new household formation.)
- Advocate change to State of California Affordable Housing Finance programs that incentive development of larger units and limit development of affordable senior housing.

## **#12 Develop a Distinctive Set of Sports, Arts, and Entertainment Offerings Aligned With San Jose's Diverse, Growing Population**

San Jose should step up efforts to develop a portfolio of sports, arts, and entertainment offerings commensurate with the city's status as the largest city in the Bay Area and a "big ten" U.S. city. San Jose was among the first cities in America to integrate responsibility for sports, events, and arts into its Office of Economic Development, recognizing the link between the development of community amenities like these and the city's long-term economic prospects.

A two-part strategy is required across sports, arts, and entertainment: Meet residents' expectations for best-in-class professional events and attractions, as well as meet residents' strong desire to participate and improve as amateurs. The City must also pay attention to its diversity, as well as the growing senior and young adult population segments over the next 20 years.

### *Actions to Achieve This Goal*

- Become a great bicycling city—strengthen San Jose's reputation in the Silicon Valley/South Bay bicycling community through hosting professional and amateur cycling events (e.g., Amgen Tour of California, LIVESTRONG Challenge, King of the Mountain, San Jose Cycling Classic), prioritizing trails and bikeways, and nurturing a culture of cycling.
- Construction of the San Jose Earthquakes/Major League Soccer Stadium on the Airport West property.
- Continue planning for Major League Baseball facility in the Diridon station area, working toward a 2010 successful public ballot.
- Attract an NBA Team to relocate at the HP Pavilion.
- Encourage ongoing production of national/international events and performances in San Jose, such as Rock 'N Roll Half Marathon, NCAA, national and Olympic championship events, Cirque Du Soleil, Broadway touring shows, and national concert tours in partnership with the San Jose Sports Authority, Team San Jose and other appropriate private and non-profit sponsors.
- Support success of events in San Jose with significant cultural and economic impact, including Target Summer Pops, 01SJ Biennial, San Jose Jazz Festival, San Jose Mariachi and Mexican Heritage Festival, Cinequest, Tapestry in Talent, and Left Coast Live.
- Emphasize the strategic themes of "multicultural arts" and "art on the edge" as cultural areas where San Jose can distinguish and differentiate itself in the Bay Area, nationally, and internationally.
- Articulate and promote a distinct cultural profile for San Jose, linking to regional arts marketing initiatives.

- Bring live music back to Downtown San Jose on a consistent, visible basis, attracting audiences of all ages.
- Encourage the responsible growth of museums from their mid-size status, and the ongoing success of 'blockbuster' exhibit at the Tech in Parkside Hall.

City of San Jose  
Office of Economic Development  
200 E. Santa Clara Street, 17<sup>th</sup> Floor  
San Jose, CA 95113  
[www.sjeconomy.com](http://www.sjeconomy.com)  
408-535-8181