

ECONOMIC DEVELOPMENT

The mission of the Office of Economic Development is to catalyze job creation, private investment, revenue generation, and talent development and attraction.

ECONOMIC DEVELOPMENT

(includes the Office of Cultural Affairs, work2future, and the Convention & Cultural Facilities)

The City of San José's Office of Economic Development (OED) leads the City's economic strategy, provides assistance for business success, manages the City's real estate assets, helps connect employers with trained workers, and supports art and cultural amenities in the community.

OED also manages several incentive programs for businesses, among them the Foreign Trade Zone which eases duties, and the Business Cooperation Program which refunds companies a portion of use taxes allocated to the City.

OED oversees the non-profit operator of the City's [Convention & Cultural Facilities](#) (Team San Jose) and agreements for other City and cultural facilities.

The operating budget for OED totaled \$11.8 million* in 2016-17. OED oversees various other funds in addition to its operating budget.

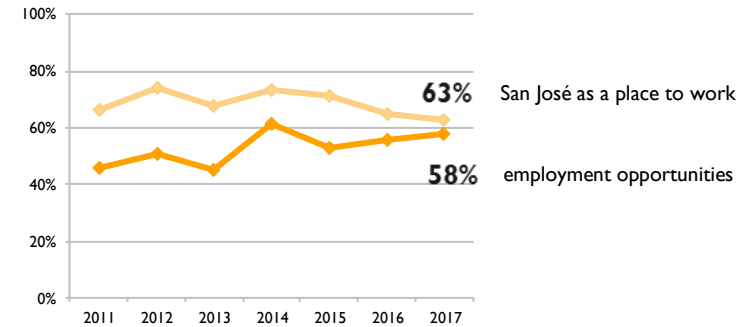
*In addition to expenditures paid out of its operating budget, OED was also responsible for \$7.7 million in actual Citywide expenses in 2016-17. This included \$1.4 million in property leases where the City is the tenant, a \$1 million subsidy to the Technology Center and \$1.3 million to the SJ Works: Youth Jobs Initiative. Also does not include all Workforce Investment Act, Business Improvement District, and Economic Development Enhancement funds and expenditures. The City supported the Convention & Cultural Facilities with \$2.2 million from hotel tax revenues.

KEY FACTS (2016-17)

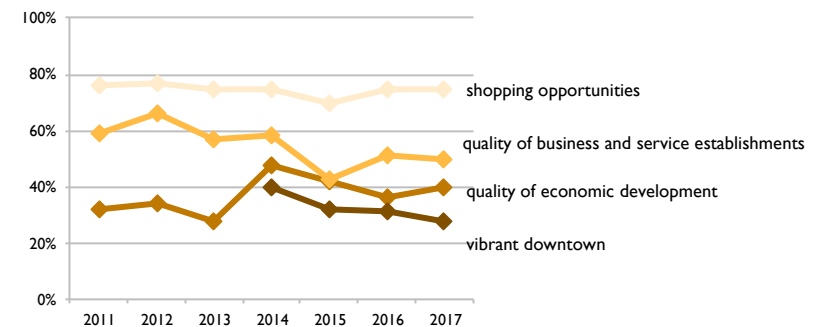
Largest city in the Bay Area (3rd largest in California, 10th in the nation)
 Unemployment Rate 3.9 %
 Median Household Income \$101,940

Sources: Bureau of Labor Statistics and 2016 [American Community Survey](#)

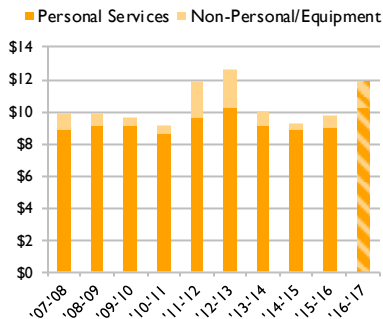
RESIDENT SURVEY
 % of San José residents rating
 as "excellent" or "good"



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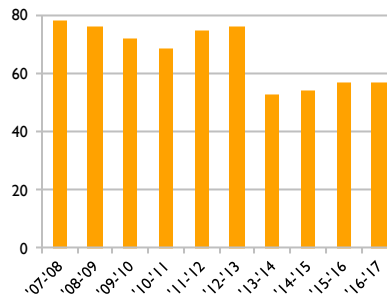


OED Operating Expenditures (\$millions)



Note: 2016-17 is adopted budget data. All other years are actual expenses. In '11-'12, Real Estate Services was added to OED.

OED Authorized Positions



Note: In '13-'14, the transition of work2future client services to the Foundation eliminated 24 positions.

BUSINESS DEVELOPMENT

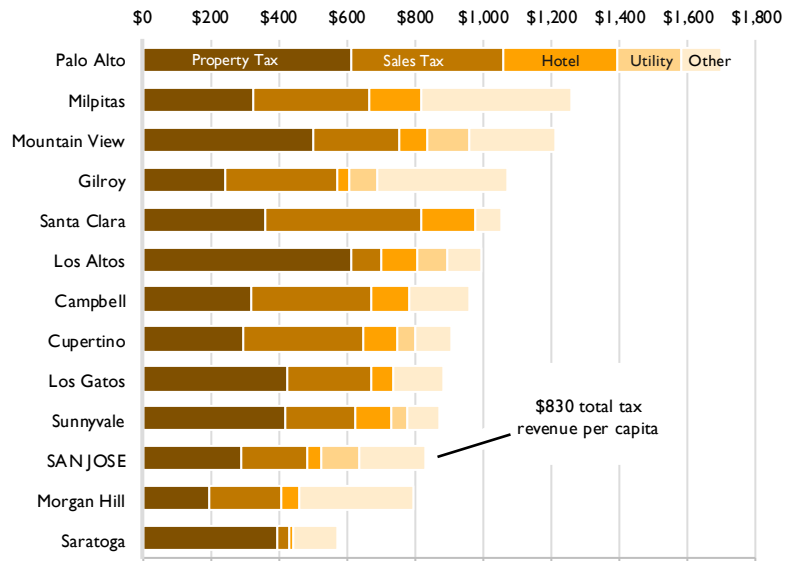
OED promotes business in the City of San José by providing assistance, information, access to services, and facilitation of the development permit process (also see *Development Services in the Planning, Building and Code Enforcement* section). In 2016-17, OED provided development facilitation services to 33 businesses. It also coordinated the Business Owner Space small business network, through which clients received information, technical/human resources support, or other services from partner organizations like SCORE, a mentoring and training provider to small businesses.*

OED estimated \$3.9 million in tax revenues (business and sales taxes) generated by companies that received its assistance. About \$3.6 in tax revenue was generated for every \$1 of OED expenditure on business development.

Although the passage of Measure G in November 2016 raised the City’s business tax, San José still received less tax revenue per capita than most of its neighboring cities consistent with previous years. Its tax revenues were only about \$830 per capita in 2016-17. Of that, sales tax was only about \$190. Furthermore, San José has less than one job per employed resident; that is, more workers live in San José than are employed in San José. In contrast, Palo Alto received \$1,700 in taxes per capita (\$450 in sales taxes) and has more than three jobs per employed resident.

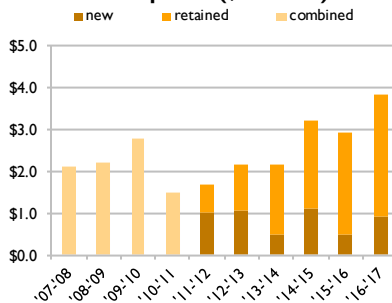
* For more information on the small business network, see www.businessownerspace.com

City Comparison of Tax Revenues Per Capita, Per Year



Source: State Controller, 2016; American Community Survey, 2016

Estimated Tax Revenue Generated by OED-assisted Companies (\$millions)



Note: The methodology changed in '11-'12

2016-17 ECONOMIC STRATEGY UPDATES

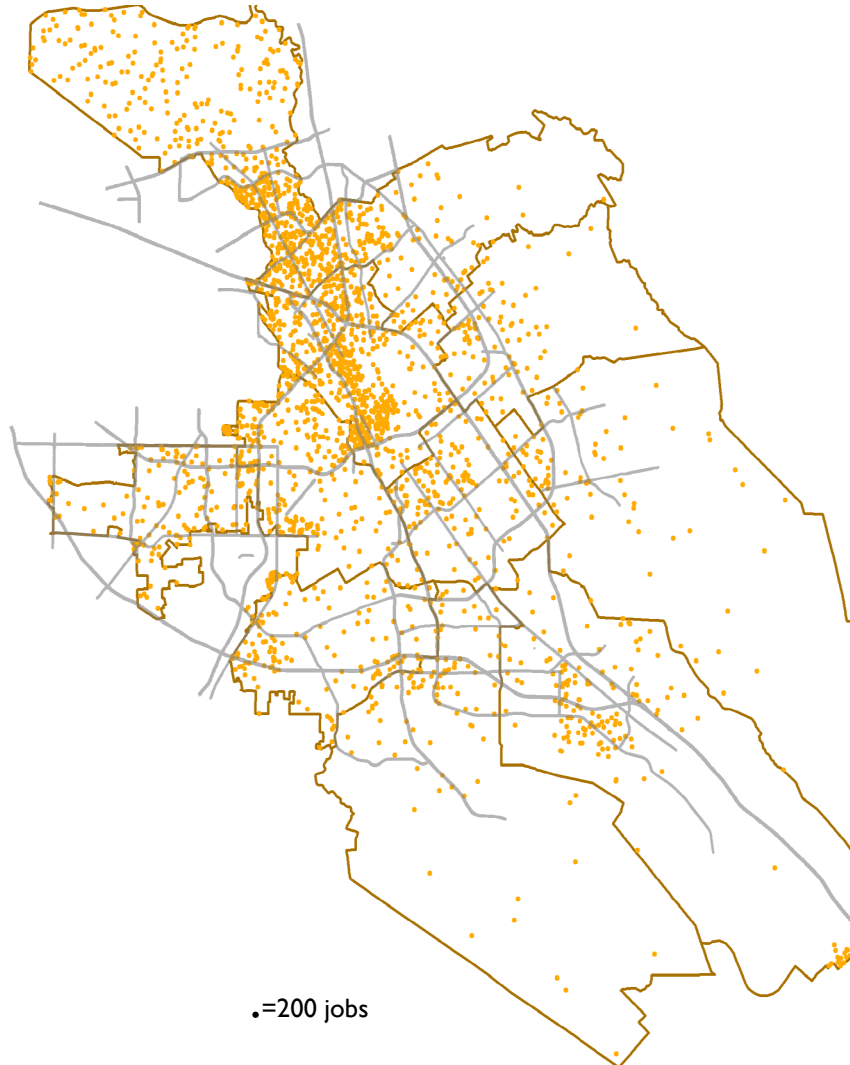
Since early 2016, City departments, with leadership by OED, collaborated to aggressively regain jobs and revenue, and to create an outstanding business and living environment in San José. Accomplishments have included:

- Proactively engaged over 350 businesses through OED’s Business Outreach Program.
- Assisted more than 1,400 San José small businesses through the Small Business Ally Program to assist those looking to establish or expand in San José.
- Helped to secure \$400,000 in grant funding through the High Speed Rail Authority to help plan the future Diridon Station multi-modal transit hub.
- Worked with local colleges such as San José City College and Workforce Institute to provide cohort and other trainings including a Laser Technology training program and a CNC Machine Operator training program.
- work2future staff has served more than 171 clients in advanced manufacturing-related fields, including participation in cohort and other trainings, internships and job placements with companies such as Tesla and Jabil.

Source: Office of Economic Development

ECONOMIC DEVELOPMENT

JOBS



•=200 jobs

RESIDENT SURVEY

50% of San José residents work inside the boundaries of San José

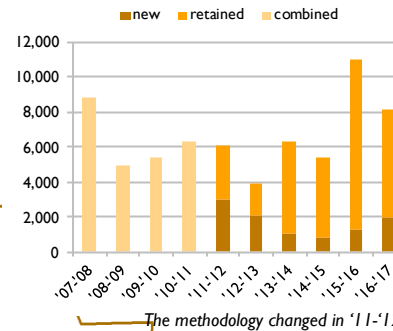
Source: Auditor analysis of U.S. Census, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics Employment Statistics, 2015.
Dots are exact at the Census tract-level. The jobs data in the map reports a higher total number of jobs than the one reported in the American Community Survey (ACS) 1-Year Estimates.
Based on "Where Are The Jobs?" by Robert Manduca

One of OED's main goals is to catalyze job creation. About half of San José's 1 million residents are employed, but only 406,000 jobs are located within the city. San José is the only large U.S. city where more residents commute to work outside city limits, rather than *into* the city. This map shows where jobs are concentrated. Each dot stands for 200 jobs.

Companies and businesses that received OED assistance created about 2,000 jobs and retained about 6,200 jobs in 2016-17.

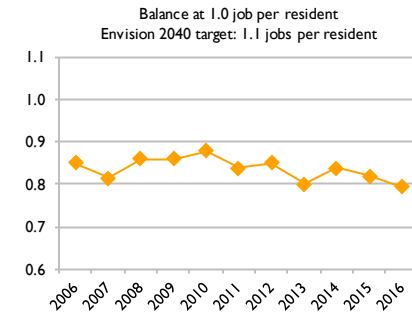
Note: The jobs data was retrieved from the ACS 1-Year Estimates.

Estimated Jobs Created or Retained by OED-assisted Companies



The methodology changed in '11-'12.

Jobs Per Employed Residents in San José



Sources: [American Community Survey](#) 5-Year Estimates (2010 through 2015) and 1-Year Estimate for 2016; [Association of Bay Area Governments](#) projection (prior to 2010)

Facilitating Corporate & Retail Expansion

Successful efforts in 2016-17 to facilitate corporate and retail expansion/relocation included:

- Audi
- Broadcom
- Cupertino Electric
- Olympus
- Space Systems Loral
- SuperMicro
- ThinFilm
- Total Wine
- Velodyne
- Western Digital

Source: Office of Economic Development

WORKFORCE DEVELOPMENT

The City’s workforce development program is managed by the [work2future](#) Foundation, serving adults, dislocated (laid-off) workers, and youth. It provides job search assistance, occupational training, and skills enhancement workshops.* More than 3,000 job seekers took advantage of skill upgrades and training programs in 2016-17. About 400 business clients received services, including recruitment, lay-off aversion, and business assistance. The work2future Foundation also runs San José Works, a youth jobs initiative focused on strengthening City partnerships, such as those with the Mayor’s Gang Prevention Task Force, to identify, recruit, train, and place at-risk youth in jobs. In 2016-17, San José Works provided 1,012 youth with subsidized and unsubsidized employment opportunities.

work2future Development Program Results

	Job Seekers (Total 3,050)	Placed in Jobs	State Goal	Employed 6 Months after Initial Placement	State Goal
Adults	1,912	56%	52%	83%	79%
Dislocated Workers	910	66%	59%	88%	83%
Youth (14-21 years)	228	60%	60%	N/A	N/A

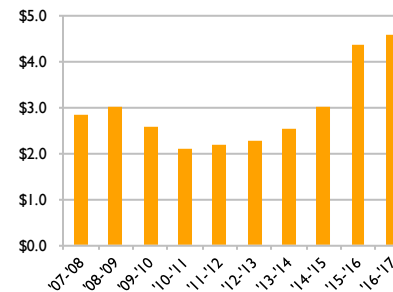
* work2future serves San José, Campbell, Morgan Hill, Los Altos Hills, Gilroy, Los Gatos, Saratoga, Monte Sereno, and unincorporated areas of Santa Clara County

ARTS AND CULTURAL DEVELOPMENT

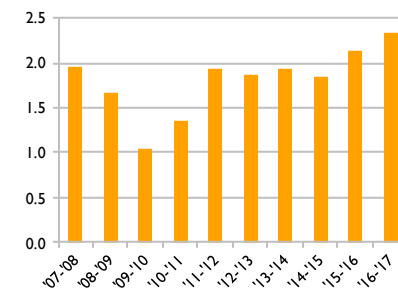
The Office of Cultural Affairs (OCA) promotes San José’s artistic and cultural vibrancy and supports opportunities for cultural participation and cultural literacy for residents, workers, and visitors. In 2016-17, OCA awarded 117 grants totaling \$4.6 million to organizations located primarily in San José. Contributing to San José’s creative placemaking and high-quality design goals, the public art program reported that it had 284 works throughout San José.

OCA helped facilitate 533 event days in 2016-17 with an estimated attendance of 2.3 million. Large-scale events included annual events such as the Christmas in the Park, Winter Wonderland and the Rotary Fireworks. OCA was instrumental in the attraction of signature events such as the Amgen Tour of California, US Gymnastics Olympic Trials, and the Rock n Roll Half Marathon.

Grant Awards for Arts & Cultural Development (\$millions)



Estimated Attendance at Outdoor Special Events (millions)



RESIDENT SURVEY
43% of San José residents attended at least one City-sponsored event

REAL ESTATE SERVICES

Real Estate Services and Asset Management manages the City’s real estate portfolio, provides real estate services to City departments, and represents the City in third-party transactions. This includes acquisition, disposition, surplus sales, leasing, relocation, valuation, telecommunications, and property management. In 2016-17, this generated about \$1.2 million in sales revenue and \$3.1 million in lease revenue. There were a total of 80 managed properties in the real estate portfolio for 2016-17.

Funding to City-owned Cultural Facilities

OCA provided operations and maintenance funds totaling about \$3.3 million from the General Fund to the following nonprofit operators of City-owned cultural facilities:

- Children’s Discovery Museum
- San José Museum of Art
- Hammer Theatre Center
- Tech Museum of Innovation
- History San José
- Mexican Heritage Plaza



Hammer Theatre, [Photo: City Auditor’s Office]

ECONOMIC DEVELOPMENT

CONVENTION & CULTURAL FACILITIES

The City's [Convention Facilities](#) (San José McEnery Convention Center, Parkside Hall, South Hall) house exhibitions, trade shows, and conferences. The City's [Cultural Facilities](#) (City National Civic, Montgomery Theater, California Theatre, Center for the Performing Arts) are home to concerts, plays, and other performances. These facilities have been managed by *Team San Jose*, a non-profit, on behalf of the City since July 2004.

Operating revenues quadrupled compared to ten years ago, reaching \$53.4 million. Revenues have increased as a result of bringing new lines of business in-house, such as food and beverage services and event production services. With operating expenses of \$55.6 million (this included building repairs of \$2.6 million)*, operating losses amounted to \$2.2 million in 2016-17—the lowest reported amount in the decade. The facilities relied on support from transient occupancy (hotel) taxes to make up the difference.

In 2016-17, the facilities drew 1.4 million people to 396 events overall. Of those events, about 160 were at the Convention Facilities, hosting more than 800,000 visitors. The Convention Center's occupancy rate (by square footage) was 62.5 percent, slightly higher than the prior year. Ninety-seven percent of responding event coordinator clients rated overall service as “good,” “very good,” or “excellent”, this is well above the target of 95 percent.

**In the fiscal year, the City of San José also paid for some repairs, maintenances, and capital improvements to the Center in the amount of \$9 million.*

For more information about the Convention and Cultural Facilities, see our [annual performance audits](#) of *Team San Jose*.

City National Civic



California Theatre



Montgomery Theater



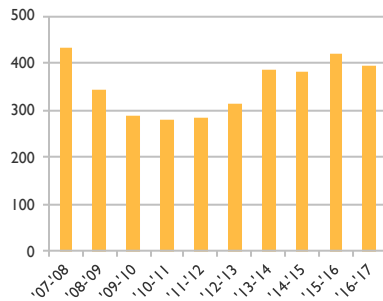
Center for Performing Arts



Photo: City Auditor's Office and Team San Jose

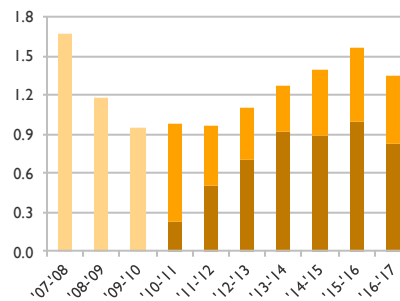
Number of Events

(Convention & Cultural Facilities combined)



Attendance (millions)

■ Convention Facilities ■ Cultural Facilities ■ Combined



Source: [Audited financial statements](#)

Operating Revenues and Expenses (\$millions)

■ Operating Expenses ■ Building Repairs ■ Operating Revenues

