

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 million* in 2015-16. 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 2015-16. This included \$1.3 million in property leases where the City is the tenant, \$1.1 million for the Economic Development/Incentive Fund, a \$1 million subsidy to the Tech Museum of Innovation, \$915,000 for San José Works, and \$784,000 for History San José.*

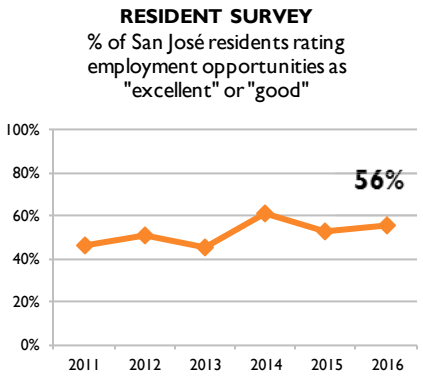
Also does not include all Workforce Investment Act, Business Improvement District, and Economic Development Enhancement funds and expenditures. The City supported the Convention & Cultural Facilities with \$4.2 million from hotel tax revenues.

KEY FACTS (2015-16)

Largest city in the Bay Area (3rd largest in California, 10th in the nation)
 Unemployment Rate 4.3 %
 Median Household Income \$91,451

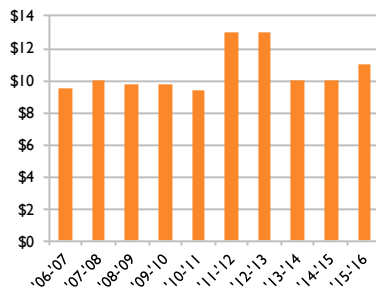
Sources: Bureau of Labor Statistics and 2015 [American Community Survey](#)

RESIDENT SURVEY	
% of San José residents who found the following "excellent" or "good"	
San José as a place to work	65%
Shopping opportunities	75%
Opportunities to attend cultural/arts/music activities	56%
Overall quality of business and service establishments	51%
Quality of economic development	36%
Vibrant downtown/commercial area	31%



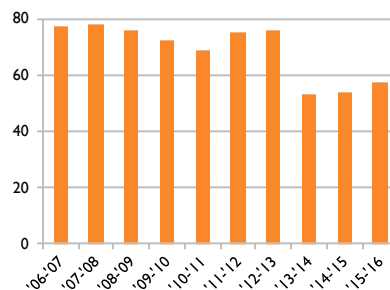
90% of San José residents found the overall economic health of San José "essential" or "very important"

OED Operating Budget (\$millions)



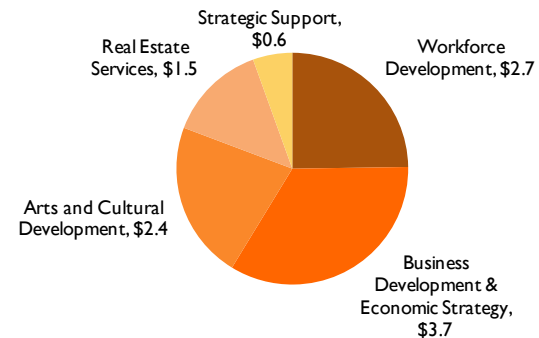
In '11-'12, Real Estate Services was added to OED.

OED Authorized Positions



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

OED 2015-16 Operating Budget by Service



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).

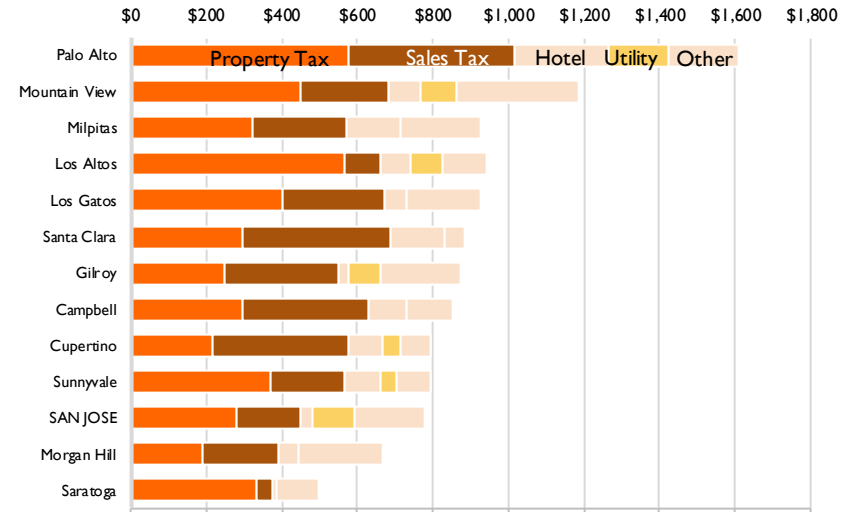
In 2015-16, OED provided development facilitation services to 58 businesses. It also coordinated the [Business Owner Space](#) small business network, through which clients received information, technical/human resources support, or other services from partner organizations like SCORE, a mentoring and training provider to small businesses.* In 2015-16, OED enhanced services to better serve limited English proficient small business owners.

OED estimated \$2.9 million in tax revenues (business and sales taxes) generated by companies that received its assistance. Almost \$3 in tax revenue were generated for every \$1 of OED expenditure on business development.

As in previous years, San José received less tax revenue per capita than most of its neighboring cities; its tax revenues were only about \$780 per capita in 2015. Of that, sales tax was only \$170. 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 \$1,600 in taxes per capita (\$440 in sales taxes) and has a jobs-to-employed residents ratio of about 3 to 1.

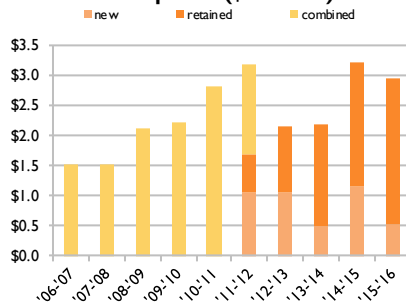
* For more information on the small business network, see www.businessownerspace.com

City Comparison of Tax Revenues Per Capita, Per Year



Source: State Controller, 2015

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



The methodology changed in '11-'12

2015-16 ECONOMIC STRATEGY UPDATES

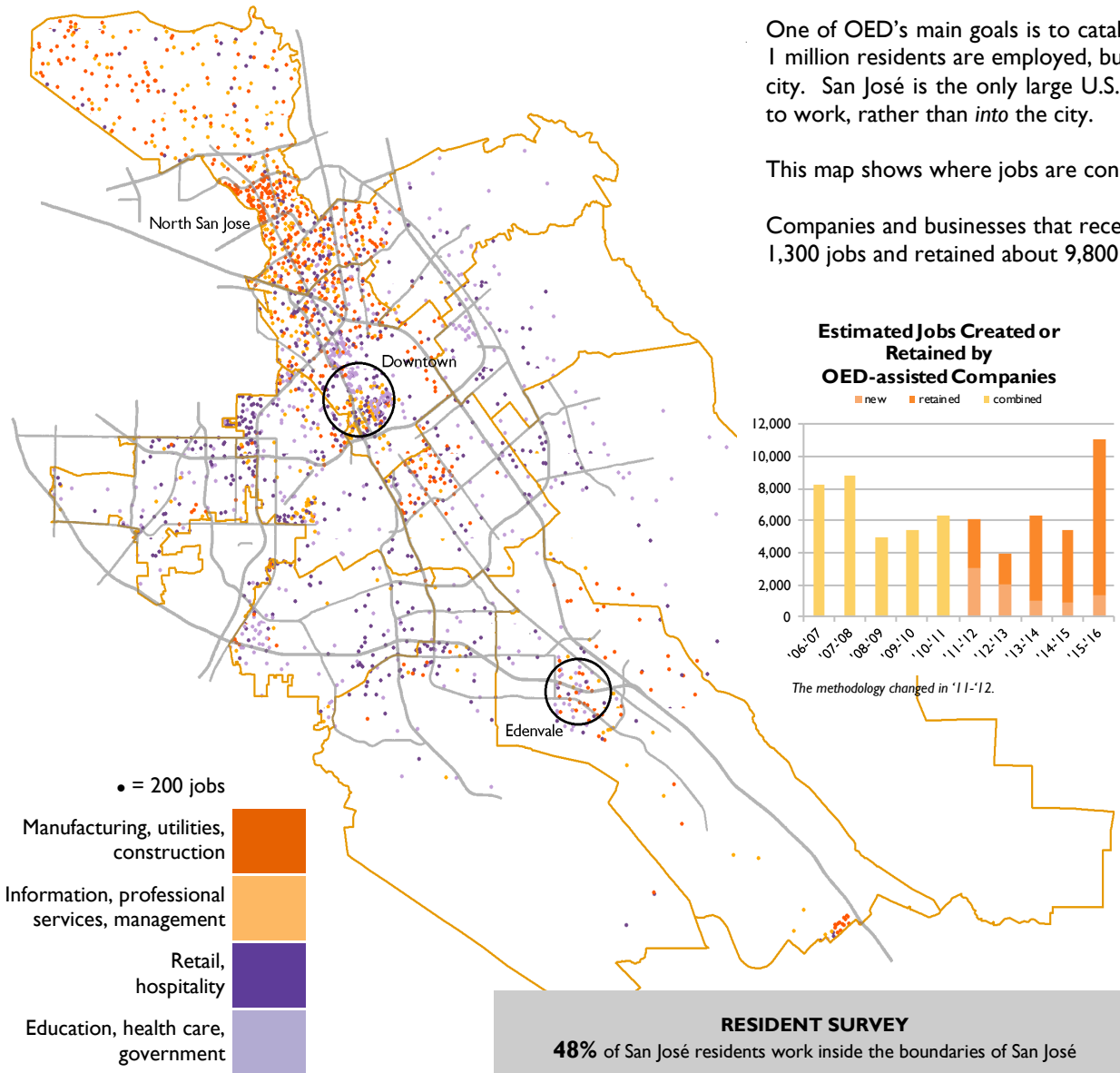
Since early 2015, City departments, with leadership by OED, collaborated to aggressively regain jobs and revenue, and to create an outstanding business and living environment in San José. Accomplishments have included:

- Implemented a targeted Business Outreach program to reach over 300 major corporate, high-growth emerging technology and driving industry businesses, large format and local retails and a variety of small businesses.
- Executed 13 SJ Storefronts Initiative Grants and assisted recipients through City permitting and inspection processes.
- Successfully attracted \$75 million in Federal funding with the announcement of the NextFlex Flexible Hybrid Electronics Manufacturing Innovation Institute.
- Completed 3 capital equipment reimbursement projects with BD Bioscience, ABB, and Bestronics to support significant attraction, expansion, and retention of manufacturers.

Source: Office of Economic Development

ECONOMIC DEVELOPMENT

JOBS

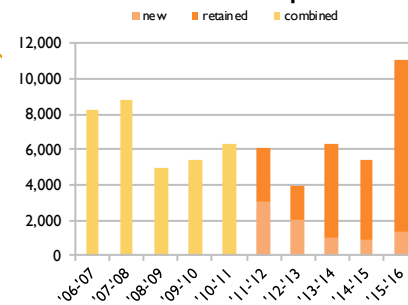


One of OED’s main goals is to catalyze job creation. About half of San José’s 1 million residents are employed, but only 400,000 jobs are located within the city. San José is the only large U.S. city where more residents commute out to work, rather than *into* the city.

This map shows where jobs are concentrated. Each dot stands for 200 jobs.

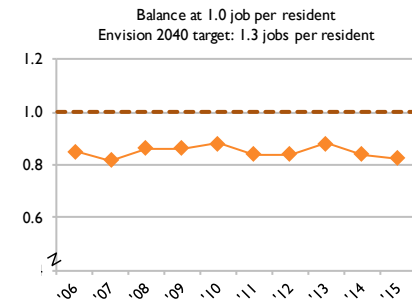
Companies and businesses that received OED assistance created an estimated 1,300 jobs and retained about 9,800 jobs in 2015-16.

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](#) estimate (2010 and after) [Association of Bay Area Governments](#) projection (prior to 2010)

Facilitating Corporate & Retail Expansion

Successful efforts in 2015-16 to facilitate corporate and retail expansion/relocation included:

- ABB
- Bass Pro Shops
- BD Biosciences
- Bentek
- Bestronics
- Cogswell College
- Le Eco
- NextEV
- Quanta Cloud Technology

Source: Office of Economic Development

Source: Auditor analysis of U.S. Census, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics Employment Statistics, 2014.
Dots are exact at the Census tract-level.
Based on "Where Are The Jobs?" by Robert Manduca

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.* Nearly 3,500 job seekers took advantage of skill upgrades and training programs throughout 2015-16. About 300 business clients received services, including recruitment, lay-off aversion, and business assistance. Through work2future, OED 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.

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 2015-16, OCA awarded 116 grants totaling \$4.4 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 244 works throughout San José.

OCA helped facilitate 432 event days in 2015-16 with an estimated attendance of 2.1 million. Large-scale events included the annual events such as the San Jose Jazz Festival, Christmas in the Park, Downtown Ice and the Obon Festival. OCA was instrumental in the attraction of signature events such as Super Bowl Community Zones, COPA America and the Rock n' Roll Half Marathon.

RESIDENT SURVEY

48% of San José residents attended at least one City-sponsored event

REAL ESTATE SERVICES

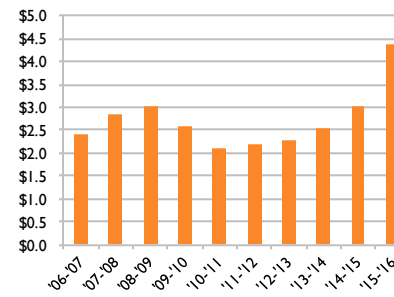
Real Estate Services and Asset Management manages the City's real estate portfolio, provides real estate services to City departments, and represents the City in third-party transactions. This includes acquisition, disposition, surplus sales, leasing, relocation, valuation, telecommunications, and property management. In 2015-16, this generated about \$3.8 million in sales revenue and \$2.5 million in lease revenue.

Workforce Development Program Results

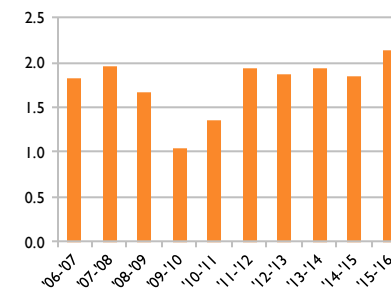
	Number of Participants	Placed in Jobs	State Goal	Employed 6 Months after Initial Placement	State Goal
Adults	2,123	57%	52%	83%	79%
Dislocated Workers	1,149	65%	59%	87%	83%
Youth	183	74%	60%	N/A	N/A

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

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



Estimated Attendance at Outdoor Special Events (millions)



City-owned Cultural Facilities

OCA provided operations and maintenance funds totaling about \$3.2 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 \$45.6 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 \$49.8 million (this included building repairs of \$2.7 million)*, operating losses amounted to \$4.2 million in 2015-16. The facilities relied on support from transient occupancy (hotel) taxes to make up the difference.

In 2015-16, the facilities drew 1.6 million people to 421 events overall. The number of events are slowly reaching the same level as just before the economic downturn. Of those events, about 200 were at the Convention Facilities, hosting nearly 1 million visitors. The Convention Center's occupancy rate (by square footage) was 59.6 percent, about 8 percent higher from the prior year and within the target range for convention centers of San José's size. 100 percent of responding event coordinator clients rated overall service as "good," "very good," or "excellent," a result consistent with prior years.

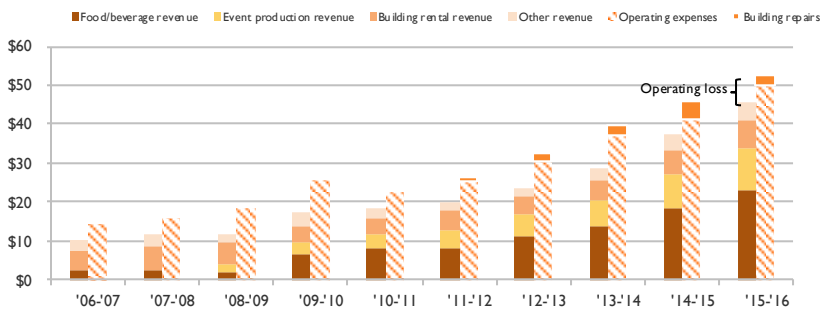
*In the fiscal year, the City also paid for some repairs, maintenances and capital improvements to the Center in the amount of \$6.4 million.

City National Civic

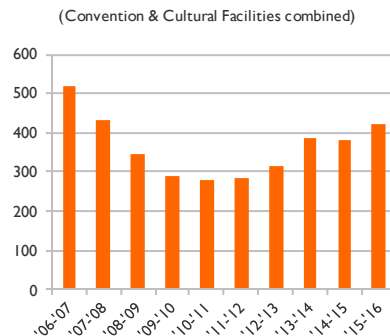


Photo: City Auditor's Office

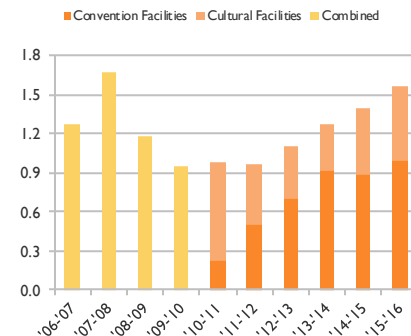
Operating Revenues and Expenses (\$millions)



Number of Events



Attendance (millions)



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