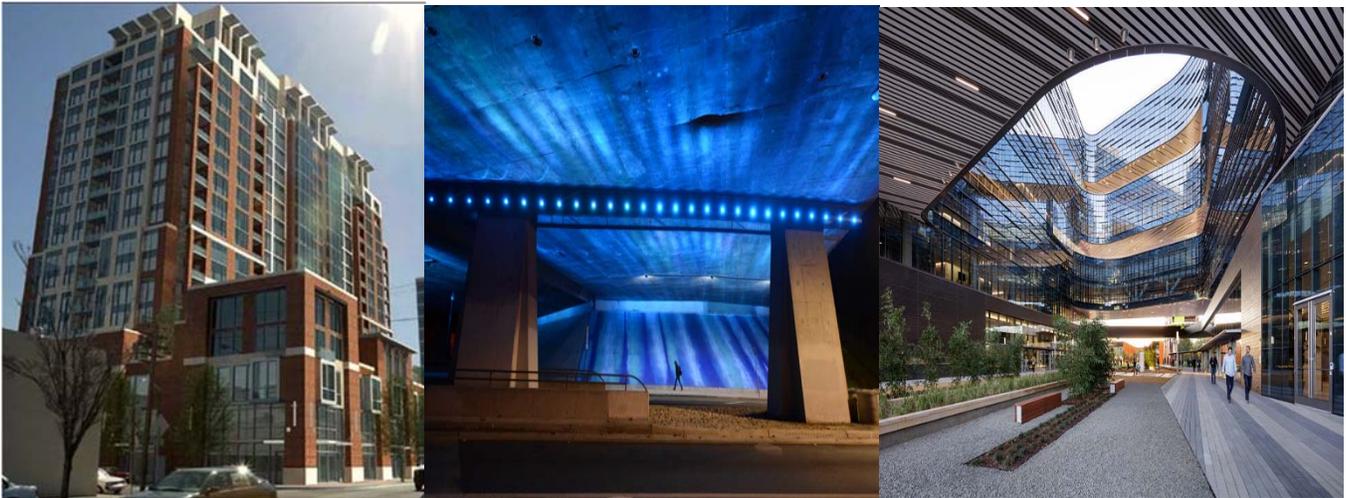


Community and Economic Development



***Mission:** To manage the growth and change of the City of San José in order to encourage a strong economy, create and preserve healthy neighborhoods, ensure a diverse range of employment and housing opportunities, and encourage a diverse range of arts, cultural, and entertainment offerings*

Primary Partners

Economic Development
Fire
Housing
Planning, Building and Code
Enforcement
Public Works

CSA OUTCOMES

- Strong Economic Base
- Safe, Healthy, Attractive, and Vital Community
- Diverse Range of Housing Options
- Range of Quality Events, Cultural Offerings, and Public Artworks

City Service Area
Community and Economic Development
SERVICE DELIVERY FRAMEWORK

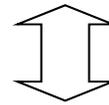
CITY SERVICE AREA
 A cross-departmental collection of core services that form one of the City's 6 key "lines of business"

MISSION STATEMENT
 Why the CSA exists

Community & Economic Development CSA

Mission:

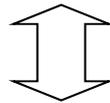
To manage the growth and change of the City of San José in order to encourage a strong economy, create and preserve healthy neighborhoods, ensure a diverse range of employment and housing opportunities, and encourage a diverse range of arts, cultural, and entertainment offerings



CSA OUTCOMES
 The high level results of service delivery sought by the CSA partners

Outcomes:

- Strong Economic Base
- Safe, Healthy, Attractive, and Vital Community
- Diverse Range of Housing Options
- Range of Quality Events, Cultural Offerings, and Public Artworks



PRIMARY PARTNERS
 Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES
 Primary deliverables of the organization

City Manager - Office of Economic Development

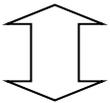
Core Services:

Arts and Cultural Development

Business Development and Economic Strategy

Real Estate Services

Regional Workforce Development



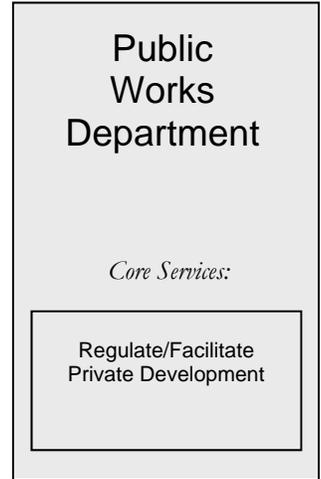
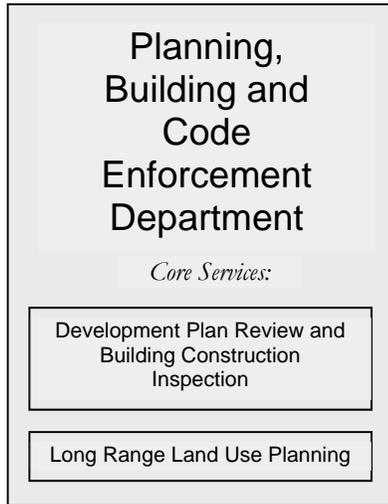
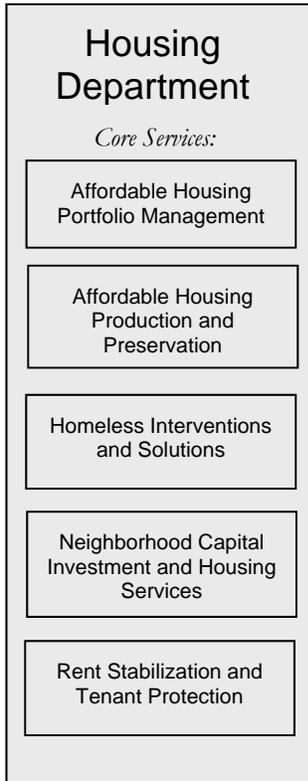
Fire Department

Core Services:

Fire Safety Code Compliance

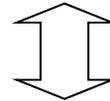
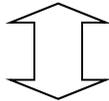
City Service Area
Community and Economic Development
SERVICE DELIVERY FRAMEWORK

PRIMARY PARTNERS
 Departments with Core Services that contribute to achievement of CSA Outcomes

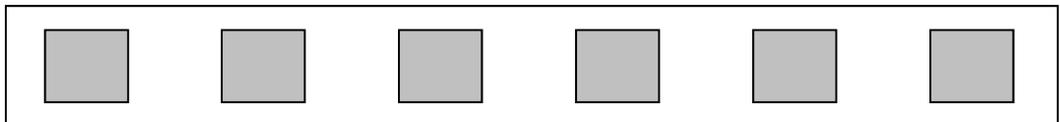


CORE SERVICES
 Primary deliverables of the organization

PROGRAMS
 Elements of Core Services; the "front-line" of service delivery



STRATEGIC SUPPORT
 Organization-wide guidance and support to enable direct service delivery



Community and Economic Development

Expected 2017-2018 Service Delivery

- ❑ Engage and assist companies that can create jobs and expand the City's tax base, with particular focus on emerging growth companies, anchor employers and revenue generators, and attracting foreign investment.
- ❑ Continue to lead and partner with collaborative initiatives such as the Silicon Valley Manufacturing Roundtable, SF Made, the Silicon Valley Economic Development Association, the Silicon Valley Organization (formerly the Chamber of Commerce).
- ❑ Continue to provide a wide range of re-employment services through work2future to residents who are unemployed and underemployed by creating opportunities to earn job skills and credentials in growing demand occupations including advance manufacturing, information technology, and construction.
- ❑ Manage the City's land assets with a focus on streamlining the property leasing management of the City's real estate assets and revenue generation.
- ❑ Manage the City's operating agreements for the Convention Center, Cultural Facilities, and SAP Center.
- ❑ Implement city-wide "San José Creates & Connects," a neighborhood creative place making initiative and other city-wide place making activities and strategies, including VivaCalleSJ and Summer in St. James and Plaza de Cesar Chavez parks.
- ❑ Lead the stewardship of cultural facilities in partnership with non-profit partners, including: expansion of the Children's Discovery Museum, incubation of the new Hammer Theatre Center's operating model in partnership with San José State University; expansion of the Tech Museum of Innovation; secure a permanent site for the San José Stage Company theater; and the development of a Levitt Pavilion San José.
- ❑ Implement a retail and amenity strategy to attract and retain business and improve quality of life for residents.
- ❑ Establish a downtown wayfinding program to encourage pedestrian exploration, and connect people to local and regional transit.
- ❑ Increase utilization of the Storefront Activation Grant Program to support storefront activation.
- ❑ Expand the Downtown and North San José banner programs.
- ❑ Continue to support the City's partnership with the San José Sports Authority by managing City services for 2018 USA Figure Skating Championships and 2019 College Football Championships.
- ❑ Continue to implement the *Public Art Next!* master plan through high impact public art city-wide.
- ❑ Complete plans for East Santa Clara, West San Carlos, and South Bascom Urban Villages.
- ❑ Complete the plans, Area Development Policy, and Environmental Impact Report (EIR) for Stevens Creek, Santana Row, and Winchester Urban Villages and bring to the City Council for consideration.
- ❑ Complete proposed zoning modifications to the East Santa Clara, Roosevelt Park, Little Portugal, and The Alameda Urban Villages to facilitate development consistent with the approved Urban Village Plans.
- ❑ Complete Downtown Strategy 2040 EIR and increase development capacity for residential and office development in Downtown.
- ❑ Draft Sign Ordinance amendments and options for City Council consideration that will allow electronic digital off-site advertising signs or billboards installations.
- ❑ Based on the recent City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report, in order to maintain full cost recovery for the Development Fee Programs. Adjustments to permit fees are recommended, as discussed in the 2017-2018 Fees and Charges document, and will result in an increase in revenue for all the Development Fee Programs. The revenue from these adjustments to the fees is discussed in more detail in the General Fund Revenue section of this document.

Community and Economic Development

Expected 2017-2018 Service Delivery

- ❑ Support and expand the Streamlined Restaurant Program to provide customer-specific targeted permitting, plan review, and coordination with the Santa Clara County Health Department to small business customers who wish to open a restaurant in San José.
- ❑ Continue to assist small businesses, with the tri-lingual Small Business Ally team, by conducting public trainings and workshops, responding to general and current project inquiries, and leading customers through permitting and inspection processes.
- ❑ Continue to provide simple and efficient online permit and combination inspection scheduling for residential Solar Photovoltaic Installations and Electric Vehicle Charging Station and expand the program to include commercial, industrial, and battery storage installation projects.
- ❑ Increase housing and service opportunities for the City's homeless residents, through AB 2176, with the Building Division continuing to develop the Emergency Bridge Housing/Emergency Cabin Ordinance.
- ❑ Raise awareness to minimize damage from seismic events and further ensure public health, safety, and welfare by promoting Seismic Preparedness, with the Building Division being the advocate for and encouraging Soft Story Retrofits and bracing and bolting of crawl spaces in residential buildings.
- ❑ Continue to improve and better coordinate Downtown construction activity/outreach as the City center redevelops to ensure safe and efficient multi-modal connectivity through construction zones.
- ❑ Continue to hold development industry discussions on stormwater compliance issues for private development projects while improving communications and outreach to development customers.
- ❑ Plan and execute marketing communications programs including branding, advertising, media relations, and collateral materials that support economic development service delivery initiatives.
- ❑ Provide construction management and inspection services for the Julian Street Realignment project at the northern edge of Downtown (funded by a grant from the State of California).
- ❑ Implement the 2017-2018 Annual Action Plan authorizing the use of approximately \$20 Million in federal funds to increase and preserve affordable housing, respond to homelessness, strengthen neighborhoods, and promote fair housing.
- ❑ Immediate and Interim Housing Needs – Continue to use available funds to meet the immediate housing needs for homeless populations. This includes the renovation of the Plaza Hotel to create transitional housing for 48 individuals, as well as the Evans Lane site which will provide interim housing for 102 individuals. Fund up to 200 sleeping cabins through the new AB2176 Emergency Bridge Housing Communities legislation.
- ❑ Permanent Supportive Housing – Complete the construction of Vermont House which will provide housing for 16 homeless veterans. Start Construction of three developments: 1) Second Street Studios (134 studios), 2) Villas on the Park housing (78 apartments and 10 interim beds), and Saint James Station (134 affordable apartments) which will provide housing for 55 for homeless veterans. Approve funding for the Leigh Avenue and Gallup Mesa developments. In addition, the Housing Department will fund services for up to 200 chronically homeless individuals.
- ❑ Rapid Rehousing – Fund 350 rental subsidies and services for up to 100 clients.
- ❑ Continue to explore, fund, and implement interim and short-term interventions to provide immediate housing and shelter options for homeless populations
- ❑ Make use of innovative technology. Implement the fully Integrated Permitting System, which includes: electronic plan submittal review, mobile inspections, and the improved public portal on the website.

City Service Area
Community and Economic Development
BUDGET SUMMARY

Community and Economic Development

Expected 2017-2018 Service Delivery

- ❑ Partner with Destination: Home, a public-private partnership, in its continued implementation of the Community Plan to End Homelessness and support three major initiatives: 1) the “All the Way Home” campaign to end Veterans’ homelessness by 2018, 2) the family homeless prevention pilot program, and 3) the homeless employment engagement strategy.
- ❑ Implement the pilot rehabilitation loan program to provide housing for homeless veterans.
- ❑ Continue to implement citywide homelessness response programming through crisis response systems, outreach services and encampment abatement, and deterrent measures.
- ❑ Complete the Assembly Shelter Ordinance to allow organizations to provide temporary shelter at sites designated for assembly use.
- ❑ Initiate the process to update the City’s Affordable Housing Dispersion Policy.
- ❑ Partner with the Santa Clara County Office of Supportive Housing on Measure A (affordable housing bonds) implementation.
- ❑ Complete modifications to the Apartment Rent Ordinance. Implement Tenant Protection Ordinance (formerly known as the Anti-Retaliation and Protection Ordinance) and Ellis Act Ordinance.
- ❑ Of a total of \$59.2 million in Housing Program funds to be available in 2017-2018, as displayed in the following table, commit and/or disburse approximately \$55 million to fund future affordable housing developments. Of that amount, direct approximately \$40 million for developments that include permanent supportive housing.

| 2017-2018 Housing Program Funds | |
|--|--|
| \$21,975,000 | Housing Loans and Grants |
| 17,280,000 | Loan Repayment |
| 7,970,491 | Community Development Block Grant (CDBG) Program |
| 2,545,800 | Fees & Charges |
| 1,905,249 | Rental Rights and Referrals Program |
| 1,700,000 | BEGIN |
| 1,300,000 | Tenant Based Rental Assistance (federal HOME) |
| 1,000,000 | Housing Opportunities for People with AIDS (HOPWA) |
| 905,000 | Interest |
| 900,000 | Bond Administration Fee |
| 700,000 | Emergency Shelter Grant (ESG) |
| 510,000 | CalHome |
| 413,211 | HOPWA Special Projects |
| 60,000 | Miscellaneous |
| \$59,164,751 | Total Housing Program Funding Sources |

Community and Economic Development

2017-2018 Key Budget Actions

- ❑ Adds one-time funding of \$1.5 million to continue the San José Works Youth Jobs Initiative.
- ❑ Adds one-time funding of \$200,000 to support business communications, small business support, and other programmatic needs to support core economic development services.
- ❑ Adds one-time funding of \$250,000 to support the SJ Storefronts Initiative by helping small businesses activate vacant storefronts in the Downtown and the City's Neighborhood Business Districts, as directed in the Mayor's March Budget Message for 2017-2018.
- ❑ Adds one-time funding of \$150,000 to help draft proposed Municipal Code and policy changes, such as those identified in the work program of the General Plan's Housing Element (as certified by the State), the phases of the Council-adopted Sign Code Update strategy adopted by Council in 2010 as part of the Comprehensive Sign Code Update, and various Council-directed policy priorities, including electronic billboards, simplifying the application process for legal, nonconforming uses, Urban Village financing, and streamlining the permit process for sale of alcohol at grocery stores.
- ❑ In the Planning Development Fee Program, provides 9.0 planner positions through June 30, 2019 to address development activities in the Permit Center and Development Review: continues 2.0 Planner IV positions and adds 1.0 Planner IV to provide needed oversight in the Permit Center and for Development Review, continues 2.0 Planner II positions and adds 2.0 Planner III and 2.0 Planning Technician positions to support the planning application review and permit center planning services teams.
- ❑ Adds 1.0 Principal Planner in the Citywide Planning team that will work with Valley Transportation Authority and the Department of Public Works, Department of Transportation, and the Office of Economic Development to coordinate the multi-year implementation of major transportation investments planned for San José, including High Speed Rail, Bay Area Rapid Transit (BART), Bus Rapid Transit and the Airport People mover. The team would also oversee the implementation of the Diridon Station Plan.
- ❑ To support the Development Services Imaging and Support function, adds 1.0 Supervising Applications Analyst to manage and coordinate document imaging technology requirements.
- ❑ In the Public Works Development/Utility Fee Program, adds 1.0 Senior Construction Inspector and 1.0 Principal Engineering Technician to address increased activity and workload.
- ❑ In the Fire Development Fee Program, adds one-time funding of \$114,000 for the replacement of two vehicles (\$60,000) and for the purchase of tablets and accessories as part of the Integrated Permitting System implementation (\$54,000).
- ❑ To enhance the community complaint response and coordinate homeless encampment clean-up efforts, 1.0 Staff Specialist position in the Homeless Response Team will be made permanent.
- ❑ To implement changes to the Tenant Protection Ordinance limiting no-cause evictions and establishing new requirements for property owners, 1.0 Senior Deputy City Attorney, 1.0 Information Systems Analyst, and 1.0 Senior Analyst (offset by the elimination of 1.0 vacant Senior Development Officer) positions will be added to the Rental Rights and Referrals Program.
- ❑ Adds one-time funding of \$330,000 for a pilot program to combat blight in highly effected neighborhoods. This program will fully fund the place-based neighborhoods, continue work on Monterey Highway, and expand the program into the Canoas Garden/Evans Lane area, which is close to Monterey Highway.

City Service Area
Community and Economic Development
BUDGET SUMMARY

City Service Area Budget Summary

| | 2015-2016 Actual 1 | 2016-2017 Adopted 2 | 2017-2018 Forecast 3 | 2017-2018 Proposed 4 |
|--|--------------------------|---------------------------|----------------------------|----------------------------|
| Dollars by Core Service | | | | |
| <i>Economic Development</i> | | | | |
| Arts & Cultural Development | n/a | n/a | n/a | \$ 35,078,966 |
| Business Development & Economic Strategy | n/a | n/a | n/a | 8,458,866 |
| Real Estate Services | n/a | n/a | n/a | 2,912,774 |
| Regional Workforce Development | n/a | n/a | n/a | 9,399,891 |
| Strategic Support | n/a | n/a | n/a | 2,506,877 |
| Strategic Support - Other | n/a | n/a | n/a | 941,063 |
| <i>Fire</i> | | | | |
| Fire Safety Code Compliance | n/a | n/a | n/a | 5,355,568 |
| Strategic Support | n/a | n/a | n/a | 1,169,210 |
| <i>Housing</i> | | | | |
| Affordable Housing Portfolio Development | n/a | n/a | n/a | 1,736,456 |
| Affordable Housing Production and Preservation | n/a | n/a | n/a | 26,998,689 |
| Homeless Interventions and Solutions | n/a | n/a | n/a | 12,089,058 |
| Neighborhood Capital Investment and Housing Services | n/a | n/a | n/a | 11,057,209 |
| Rent Stabilization and Tenant Protection | n/a | n/a | n/a | 1,397,535 |
| Housing Strategic Support | n/a | n/a | n/a | 8,383,015 |
| <i>Planning, Bldg & Code Enforcement</i> | | | | |
| Development Plan Review & Building Construction Inspection | n/a | n/a | n/a | 36,333,580 |
| Long Range Land Use Planning | n/a | n/a | n/a | 3,562,101 |
| Strategic Support | n/a | n/a | n/a | 2,655,034 |
| <i>Public Works</i> | | | | |
| Regulate/Facilitate Private Dev | n/a | n/a | n/a | 12,041,732 |
| CSA Total | n/a | n/a | n/a | \$ 182,077,624 |
| Authorized Positions | 418.03 | 437.04 | 432.17 | 473.61 |

Service Delivery Accomplishments

- Facilitated the attraction, relocation and expansion of signature companies including Velodyne LiDAR Inc., WeWork, TechShop, PayPal, eBay, Thin Film Engineering, and Continental. Total Wine, Molecular Devices, and Exar Corp are slated to move into new facilities this year. In the first quarter, Splunk moved into its new headquarters at Santana Row.
- Engaged more than 350 companies in business outreach visits and pre-development or permit facilitation assistance.
- Improved downtown safety and economic vitality through establishment of an internal Downtown Services Office in Fountain Alley used by the San José Police Department.
- Real Estate Services successfully sold the Japantown Corporation Yard for \$18.5 million, a deal that will result in a new mixed-use apartment project and provide a permanent home for San José Taiko.
- Co-organized the Downtown Broker Tour, which highlighted the development opportunities and recent projects in the San José's downtown to more than 200 investors, brokers, developers, and community stakeholders.
- Assisted more than 1,400 small businesses looking to establish or expand in San José through the Small Business Ally Program.
- Held two Silicon Valley Manufacturing Roundtable events, which convened more than 200 attendees, including original equipment and contract manufacturers, service providers, and some of the region's most promising startups.
- The Special Tenant Improvement (STI) program issued approximately 800 permits for 262 projects with a valuation of over \$503 million and 5.2 million in square feet of construction space. Large projects included: Adobe, Ariosa, Broadcom, Champion Point, Cisco, General Dynamics, HGST, Space Loral Systems, Sumitomo and EBAY, Viptela, and Western Digital. Broadcom.
- The Industrial Tool Installer (ITI) program issued 272 permits for 88 projects with a total valuation over \$20 million and 100 thousand square feet of construction space. Some notable projects included: Cisco, HGST, Intermolecular, Lumileds, Lumentum, Sunpower, Synaptics, and Thin Film.
- Building Inspection Services Division staff began rapid evaluations of the affected areas immediately following the flood. Throughout the assessment process, 228 Damage Survey Reports were conducted throughout the relief effort, with 259 Yellow Tags (access with some restrictions) and 4 Red Tags (no access) issued. For 14 days, Inspection Services Division staff stayed onsite at the Command Centers, staffed Local Assistance Centers (LACs), and remained available in the affected areas (Williams and Rock Springs areas) to conduct inspections and Damage Survey Reports requested by home owners without any required wait time. The Permit Center Division and Call Center created a team of staff dedicated to offer special handling and express service to residents and businesses affected by the flood, with special signage posted in the Permit Center in order to expeditiously route and assist customers affected by the flood. Through April 2017, a total of 129 flood repair permits have been issued and all fees have been waived.
- Completed the Four-Year Review of the General Plan with City Council approval of staff and Task Force recommended amendments to the General Plan.
- Completed The Alameda Urban Village Plan and obtained City Council approval.
- City Council approved the San José Urban Agricultural Incentive Zone Ordinance, an ordinance allowing temporary large banner signs/supergraphics in the Downtown Sign Zone, and zoning code provisions with respect to riparian setbacks and development of bird-safe buildings.
- City Council approval of municipal code modifications providing more flexibility for and facilitating secondary detached residential units on residential parcels.
- Established a new program to provide homeless prevention services for 300 households and an employment program to serve 200 homeless men and women.

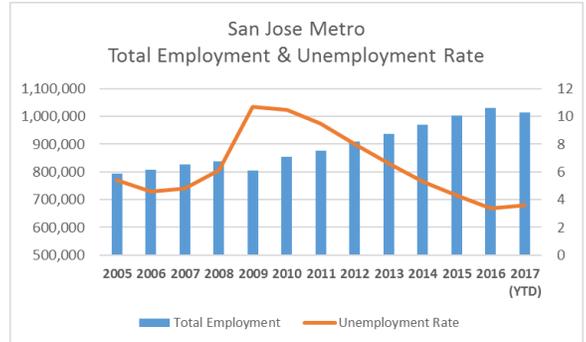
City Service Area
Community and Economic Development
OVERVIEW

Service Delivery Accomplishments

- Provided services and subsidies for 100 transitional homeless clients and services for an additional 200 chronically homeless individuals. Developed and implemented an inclement weather shelter program that provided approximately 150 beds of nightly emergency shelter and refuge at religious assemblies and city-owned facilities during extreme weather conditions.
- Secured \$27.9 million in State funding to help fund two affordable housing developments in San José helping to create nearly 300 apartments for chronically homeless Veterans and low income individuals as well as greenhouse gas reducing transportation improvements under the State Affordable Housing and Sustainable Communities “Cap and Trade” program.
- Worked with Assembly member Nora Campos and State officials to pass AB 2176, which enables San José to pilot a special building code for Emergency Bridge Housing on selected sites.
- Closed construction funding for Second Street Studios, which will be the City’s first 100% Permanent Supportive Housing development for the chronically homeless.
- Issued a notice for funding availability (NOFA) for Homeless Developments together with the County’s Housing Authority and the County – the Housing Department’s first ever jointly-issued NOFA and obtained City Council approval for one of two eligible San José development applications.
- Committed \$44.9 million to affordable housing developments and site acquisitions to create over 300 new or newly-affordable homes, including commitments to support 345 new homes for homeless residents, per the Adopted the Affordable Housing Investment Plan (2015-2016 through 2016-2017) that established the spending plan for \$103.5 million in affordable housing resources.
- Conducted over 200 encampment clean-ups with the Santa Clara Valley Water District, removing 1,200 tons of trash.
- Adopted the Affordable Housing Investment Plan (2015-2016 through 2016-2017) that established the spending plan for \$103.5 million in affordable housing resources.
- Committed \$35 million in funding for 373 units of supportive housing for homeless and vulnerable populations.
- In 2016-2017, the City’s Office of Cultural Affairs Special Events staff coordinated an estimated 479 events city-wide, including signature sporting events, neighborhood street festivals, farmers markets, and fun runs.
- Through a private/public partnerships, completed *Voxel Could* at the Pierce in SoFA as part of Illuminating Downtown, an initiative aimed at animating Downtown through interactive, artist designed lighting projects.
- Stewarded approximately \$4.0 million in investments of Transient Occupancy Tax (TOT) funding through the Cultural Funding Portfolio, awarding approximately 100 grants to nonprofit organizations providing arts and cultural programming.
- Work2future placed 1,012 youths in subsidized and unsubsidized youth opportunities through the SJ Work Program. In addition, work2future served over 150 foster youth placing them into subsidized employment through the County of Santa Clara.
- Over 1,500 work2future participant’s secured employment which resulted in \$27.0 million in wages earned.
- Since October 2015, work2future has focused significant efforts on advanced manufacturing, which resulted in 300 clients served.

Service Delivery Environment

- **Job Growth and Employment:** While unemployment for the San José metro area and City of San José remains low (3.6% and 3.9%), there are signs that job growth is slowing down. As of March 2017, total employment in the metro area was 1.09 million, representing 2.4% annual growth over March 2016. As of June 2016, the City of San José was home to 393,534 payroll jobs, representing 1.5% increase from June 2015. Currently, San José is home to a labor force of 545,900 of whom 524,900 are employed. An estimated 21,100 San José residents are unemployed, representing a decrease from 24,000 in March 2016.



- **Housing Affordability:** According to the Santa Clara County Association of Realtors, the median sales price of a single family home in San José as of March 2017 was \$980,000, an increase of 7.5% from March 2016’s median sales price of \$911,000. Median sales prices for condominiums/townhomes for March 2017 was \$638,000, an increase of 8.1% from March 2016’s median price of \$590,000. As long as the economy remains robust, the tight housing inventory, relatively low interest rates, and strong demand for housing in San José will likely lead to higher housing prices.

- **Rental Market:** Rents in San José continue to remain among the highest in the nation and, therefore, unaffordable to lower-income residents. According to Rent Jungle, the average asking rent for a one-bedroom as of March 2017 was \$2,432 which is an increase of 5.6% from March 2016. Over the same time period, the average rent for a two-bedroom was \$3,077, a decrease of approximately 3.6%. Assuming that no more than 30% of income goes to housing costs, a household would need to earn \$97,280 annually to afford a one-bedroom apartment and \$123,080 for a two-bedroom apartment in San José. It should be noted that apartment data from Rent Jungle includes only larger, multi-family developments, and data from smaller apartment complexes that are often older and more affordable are not included. San José’s overall vacancy rate was 5.4%, which indicates a balance between supply and demand for luxury and market rate apartment homes. However, the demand for affordable housing far exceeds the supply and the vacancy rate for affordable housing is nearly 0% as evidenced by long wait lists at most developments.

CSA Priorities/Key Services

- Engage driving industry and revenue-generating companies to help facilitate their retention and growth in San José.
- Support the start-up and growth of new businesses.
- Promote San José as the premier destination for scaling companies, highlighting advantages in cost, lifestyle, and business climate.
- Increase jobs in the City of San José through widespread recruitment efforts.
- Manage and implement economic development branding to communicate the advantages of living and working in San José.
- Continue to provide high quality land-use development and permitting services for all customers.
- Continue to manage the City’s real estate assets.
- Continue to invest in development process improvements in coordination with stakeholders to improve speed, consistency, predictability, and customer experience.
- Ensure that the City speaks with “one voice” on development issues while improving the speed, consistency, and predictability of the development review process.
- Continue to offer re-employment services to residents and businesses through work2future.

City Service Area
Community and Economic Development
OVERVIEW

CSA Priorities/Key Services

- Support the provision of a range of quality arts, cultural, sports, and entertainment offerings that appeal to San José’s diverse community.
- Identify strategies to fund affordable and permanent supportive housing, transportation, and Urban Village infrastructure needs.
- Identify strategies to increase production of moderate-income housing.
- Ensure that residents have a diverse range of housing options by increasing housing opportunities for people of all income levels, ages, abilities, and household types.
- Increase housing and services opportunities for the City’s homeless residents, including those living in encampments.

Development Services Budget Summary

| | <u>Revenue</u> | <u>Cost</u> | <u>% Cost Recovery*</u> | <u>Positions</u> | <u>Works-in-Program Reserves**</u> |
|------------------------------|----------------------|----------------------|-------------------------|------------------|------------------------------------|
| 2016-2017 Modified | | | | | |
| Building | \$ 27,500,000 | \$ 36,476,848 | 75.4% | 173.92 | \$ 16,640,601 |
| Fire | 6,911,000 | 8,183,245 | 84.5% | 37.22 | 5,928,465 |
| Planning | 4,500,000 | 6,491,535 | 69.3% | 37.18 | 2,293,508 |
| Public Works | 9,815,000 | 11,598,786 | 84.6% | 62.19 | 5,120,765 |
| Total | \$ 48,726,000 | \$ 62,750,414 | 77.7% | 310.51 | \$ 29,983,339 |
| 2017-2018 Proposed*** | | | | | |
| Building | \$ 32,500,000 | \$ 36,721,069 | 88.5% | 166.37 | \$ 12,419,532 |
| Fire | 8,647,000 | 8,773,732 | 98.6% | 38.01 | 5,801,733 |
| Planning | 7,730,000 | 8,625,079 | 89.6% | 48.38 | 1,398,429 |
| Public Works | 11,585,000 | 12,828,145 | 90.3% | 65.87 | 3,877,620 |
| Total | \$ 60,462,000 | \$ 66,948,025 | 90.3% | 318.63 | \$ 23,497,314 |

* Excludes the development fee program reserves. In 2016-2017 and in 2017-2018, all programs reach 100% cost recovery once the use of Works-in-Progress reserves are incorporated.

** The Works-in-Progress Reserves for 2017-2018 are the estimated reserve levels once 2016-2017 revenues and expenditures are reconciled and 2016-2017 balancing actions are included.

*** Excludes carry-over rebudgets.

Development Services is a \$66.9 million business for the City of San José, providing integrated technical plan review and inspection services across Planning, Building, Public Works, and Fire (Development Services Partners). Businesses, homeowners, and other customers use Development Services when remodeling, building new structures, or making other investments to their properties. These investments bring tax revenue, jobs, and other direct benefits to the City. Development Services are provided in an efficient, thorough, and quality-driven manner. While each partner’s budget is discussed within their particular Department section, all partners are committed to working closely together to provide “one voice” to Development Services customers.

Development Services Budget Summary

Over the last year, the Development Services Partners have continued to experience a high level of activity. After adjusting for base changes that result in a net decrease of 3.92 positions to the program, position changes for the Development Fee Program included in this budget are: an addition of 15.09 positions in the Planning Development Fee Program, including a shift in planner positions from the Building Development Fee Program, an increase of 2.03 positions in Public Works Development and Utility Fee Programs, an increase of .30 positions in the Fire Development Fee Program, and a decrease in the Building Development Fee Program by 5.38 positions, primarily due to the Planning staff realignment. These position changes will help improve target cycle times, increase customer service, and, in the case of the Planning staff realignment, to properly align costs with revenues.

Improved staffing, training, and updated technology will be the priorities for the Development Services Partners in 2017-2018 in order to close the gap between customer expectations and service delivery. As a result of continued strong activity, this budget includes additional staffing to support Development Services: the addition of a Supervising Applications Analyst position to provide the needed management and coordination to complete the delayed conversion effort to support the Imaging and Support function, maintain and coordinate continuous improvements to the imaging system, and establish process and procedures to seamlessly integrate electronic documents; additional limit-dated Planners to provide oversight, coordination, and support of environmental review and project implementation needs; and new positions to address increased activity and workload anticipated for the Public Works Development Fee Program.

In December 2016, City Council accepted the City of San José Development Services Cost Recovery Analysis, Process Improvements, Calculation of Unearned Revenues, and Refund Processing Report. The report showed the Development Services Partners are covering approximately 81% of their costs in the form of fees and charges collected from customers, with the individual Partners capturing between 76% and 84% of their respective costs. Proposed changes to the development fees, as discussed in the 2017-2018 Fees and Charges Report, will help to close the cost recovery gaps and provide each Partner with sufficient resources to support existing service levels, including the proposals contained in this document. The fee adjustments combined with process improvements and the implementation of the new permitting system in the coming fiscal years will help increase staff efficiency and improve the customer service experience. The revenue from these adjustments to the fees is summarized in the General Fund Revenue section of this document.

City Service Area
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OVERVIEW

Budget Dollars at Work: Performance Goals

OUTCOME 1: STRONG ECONOMIC BASE

| Strategic Goals | CSA Performance Measures | 2015-2016 Actuals | 2016-2017 Target | 2016-2017 Estimate | 2017-2018 Target | 5-Year Goal |
|--|---|----------------------|---------------------|-----------------------|---------------------|------------------|
| Facilitate Major Corporate Development | 1. Estimated jobs generated/retained by companies that received OED assistance by: | | | | | |
| | Type of Company: | | | | | |
| | - Industrial | 7,276 | 4,000 | 3,639 | 4,000 | 16,000 |
| | - Commercial/Retail | 1,162 | 500 | 3,916 | 1,500 | 2,000 |
| | Type of Job: | | | | | |
| | - New | 1,277 | 1,000 | 2,562 | 1,500 | 5,000 |
| Stimulate Revenue for City Services | - Retained | 7,161 | 3,500 | 4,993 | 5,000 | 9,500 |
| | 2. # of Clean Tech Jobs generated/retained from City efforts | 1,472 | 100 | 258 | 250 | 800 |
| | 1. Economic Impact of Convention Center (attendance by visitor type) | | | | | |
| | - Local/Social | 1,485,607 | 980,000 | 1,245,210 | 1,070,663 | N/A ¹ |
| | - Out of Town | 77,697 | 83,800 | 70,982 | 60,128 | N/A ¹ |
| | - Exhibitors | 8,464 | 11,300 | 11,960 | 8,821 | N/A ¹ |
| Stimulate Revenue for City Services | 2. Estimated increases in sales and business taxes from attracted or expanding businesses which previously received assistance from the City (excludes property and utility taxes): | | | | | |
| | - Taxes from new companies | \$500,000 | \$1.5 M | \$200,000 | \$1.0 M | \$4.5 M |
| | - Taxes from retained companies | \$2.3 M | \$1.0 M | \$2.4 M | \$1.5 M | \$3.0 M |
| | Total | \$2.8 M | \$2.5 M | \$2.6 M | \$2.5 M | \$7.5 M |

¹ The 5-Year Goal does not have a performance measure because the City is currently working with Team San José, the operator of the City's Convention and Cultural Facilities, and the City's hospitality industry advisor to modify the methodology to reflect changing industry best practices.

City Service Area
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Budget Dollars at Work: Performance Goals

OUTCOME 1: STRONG ECONOMIC BASE

| Strategic Goals | CSA Performance Measures | 2015-2016 Actual | 2016-2017 Target | 2016-2017 Estimate | 2017-2018 Target | 5-Year Goal |
|--|---|---------------------|---------------------------------------|-------------------------------------|----------------------------|----------------------------|
| Retain Industrial Jobs, Suppliers and Industrial Land Uses | 1. Jobs gained/(lost) in areas with "heavy" and "light" Industrial General Plan land designation (acres converted in parenthesis) | 0 jobs (0 acres) | (35) jobs ¹ (1.9 acres) | 0 jobs ¹ (1.54 acres) | 0 jobs (0 acres) | 0 jobs (0 acres) |
| | 2. Jobs gained/(lost) in areas with "Industrial Park" and "Campus Industrial," and other R&D General Plan land designation (acres converted in parenthesis) | 0 jobs (0 acres) | 0 jobs ¹ (0 acres) | (1,160) jobs (32 acres) | 0 jobs (0 acres) | 0 jobs (0 acres) |
| | 3. Estimated ratio of San José jobs to employed residents | 0.85 | 0.88 | 0.85 | 0.88 | 0.90 |
| Facilitate Small Business Expansion | 1. # of Business Owner Space participants receiving assistance, access to capital, technical or human resources support or information | 60,012 | 40,000 | 42,420 | 40,000 ² | 100,000 |
| | 2. Unique website visitors to businessownerspace.com | 8,898 | 10,000 | 8,000 | 8,000 ² | 40,000 |
| Be Active Partner in Developing a Skilled Workforce | 1. Number of work2future clients receiving discrete services (counseling, job placement, and occupational training) | 4,405 | 1,805 | 1,805 | N/A ⁴ | TBD ⁵ |
| | - Adults | 2,760 | 1,250 | 1,120 | N/A ⁴ | TBD ⁵ |
| | - Dislocated Workers | 1,379 | 250 | 450 | N/A ⁴ | TBD ⁵ |
| | - Youth | 266 | 180 | 235 | N/A ⁴ | TBD ⁵ |
| | 2. Estimated % of clients employed six months after initial placement | | | | | |
| | - Adults (% of target met) | 83.46% (106%) | 79% (100%) | 55% ³ (100%) | N/A ⁴ | TBD ⁵ (100%) |
| | - Dislocated Workers (% of target met) | 86.54% (104%) | 83% (100%) | 62% ³ (100%) | N/A ⁴ | TBD ⁵ (100%) |
| | 3. Estimated % of clients placed in jobs | | | | | |
| | - Adults (% of target met) | 56.65% (110%) | 51.5% (100%) | 57.5% ³ (100%) | N/A ⁴ | TBD ⁵ (100%) |
| | - Dislocated Workers (% of target met) | 64.85 (111%) | 58.5% (100%) | 63.4% ³ (100%) | N/A ⁴ | TBD ⁵ (100%) |
| - Youth (% of target met) | 73.58% (123%) | 60.0% (100%) | 62.4% ³ (100%) | N/A ⁴ | TBD ⁵ (100%) | |

¹ For the 2016 General Plan annual review cycle, hearings took place September 2016 through November 2016 with the Planning Commission and November 2016 and December 2016 with the City Council. In the 2016 General Plan annual review cycle, there were seven City-initiated and two privately initiated General Plan text amendments, and three City-initiated and four privately initiated land use amendments. For 2017, there are currently 10 privately initiated and four City-initiated General Plan land use amendments, and one City-initiated text amendment on file.

² Target reflects anticipated ongoing federal funding reductions that may impact future support for website and small business support services.

³ Targets were changed by the Employment Development Department after the adoption of the 2016-2017 Operating Budget.

⁴ Targets cannot be established until funding from the Employment Development Department is released, which is expected in spring 2017.

⁵ Targets have not been negotiated with the Employment Development Department for the 5-Year Goal and are expected to be established in fall 2017.

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Budget Dollars at Work: Performance Goals

OUTCOME 2: SAFE, HEALTHY, ATTRACTIVE, AND VITAL COMMUNITY

| Strategic Goals | CSA Performance Measures | 2015-2016 Actual | 2016-2017 Target | 2016-2017 Estimate | 2017-2018 Target | 5-Year Goal |
|---|---|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Quality Living and Working Environment | 1. % of residents surveyed who rate the quality of architecture and landscaping design/maintenance in new development in their neighborhood as good or better | N/A ¹ | 70% | N/A ¹ | N/A ¹ | 70% |
| Increase the City's Housing Unit Capacity | 1. # of dwelling units added to the General Plan holding capacity annually | 0 ² | 550 ² | 0 ² | 0 ² | 0 ² |
| | 2. San José housing production compared to regional fair share number target (in parenthesis) | 1,692 units (4,385) | 3,250 units (3,750) | 2,450 units (4,385) | 3,000 units (4,385) | 16,700 units (18,750) |
| | 3. % of units receiving development permit approval compared to target (actuals in parenthesis) | 229% (3,000 units) | 108% (3,000 units) | 75% (3,000 units) | 100% (3,000 units) | 128% (13,000 units) |
| Provide Seamless and Effective Development Review Including Implementation of Environmental Regulations, in a Customer Friendly Fashion | 1. % of projects receiving consistent feedback from staff throughout the course of the project review: | | | | | |
| | - Planning Permit Plan Review | 68% | 70% | 74% | 75% | 80% |
| | - Public Works Permit Plan Review | 81% | 80% | 83% | 85% | 85% |
| | - Building Permit Plan Check | 81% | 80% | 80% | 80% | 85% |
| | - Fire Permit Plan Check | 85% | 88% | 88% | 88% | 90% |
| | 2. Ratio of current year fee revenue to fee program cost (includes use of reserves) | 100% ^s | 100% | 100% | 100% | 100% |
| | 3. Development projects completed within processing time targets: | | | | | |
| | - Entitlement Process | 74% | 85% | 77% | 85% | 85% |
| | - Construction Process: | | | | | |
| | - Plan Check | 84% | 85% | 85% | 85% | 85% |
| | - Inspections in 24 hours | 67% ³ | 75% | 65% ³ | 88% | 85% |
| | - Inspections in 48 hours | 77% ³ | 92% | 74% ³ | 95% | 95% |
| | 4. % of development services walk-in customers served in less than 30 minutes (wait time) | 71% | 75% | 73% | 75% | 75% |
| 5. % of customers surveyed rating service as good or better | | | | | | |
| - Discretionary ⁴ | 77% | 70% | 75% | 75% | 80% | |
| - Ministerial ⁵ | 77% | 70% | 77% | 78% | 80% | |
| 6. % of customers surveyed who indicate the City has improved customer service in the past 12 months | | | | | | |
| - Discretionary ⁴ | 66% | 68% | 68% | 70% | 80% | |
| - Ministerial ⁵ | 73% | 75% | 73% | 75% | 80% | |

¹ Staffing vacancies have reduced capacity for soliciting feedback on new development projects.

² The Envision San José 2040 General Plan includes capacity/plans for 120,000 new dwelling units. No additional dwelling units were added or are planned to be added to the overall capacity of the General Plan.

³ While additional positions have been added in the past several years and some positions have been filled, vacancies still remain as a result of the continuous departure of existing staff and difficulties in filling the positions quickly with qualified candidates. The Administration continues to recruit for a wide range of development services positions.

⁴ Discretionary projects are those that require a public hearing (e.g. zoning change, General Plan amendment).

⁵ Ministerial projects are administrative in nature and do not require a public hearing (e.g. water heater replacement).

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Budget Dollars at Work: Performance Goals

OUTCOME 3: DIVERSE RANGE OF HOUSING OPTIONS

| 5 Year Strategic Goals | CSA Performance Measures | 2015-2016 Actual | 2016-2017 Target | 2016-2017 Estimate | 2017-2018 Target | 5-Year Goal |
|--|---|------------------|------------------|--------------------|------------------|-----------------|
| Increase the Supply of Affordable Housing | 1. % of annual target achieved for completion of affordable housing (housing units) | 70% (397) | 100% (70) | 179% (301) | 100% (213) | 100% (2,157) |
| Direct Significant Affordable Housing Resources to Lower-Income Households | 2. % of Housing Department funds reserved by income levels over 5 years: | | | | | |
| | - Very Low (<=50% of median) | 22% | 60% | 86% | 60% | 60% |
| | - Extremely Low (<=30% of median) | 7% | 30% | 56% | 30% | 30% |
| | - Very Low (31-50% of median) | 15% | 30% | 30% | 30% | 30% |
| | - Low (51-80% of median) | 40% | 25% | 12% | 25% | 25% |
| | - Moderate (81-120% of median) | 30% | 15% | 0% | 15% | 15% |

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Budget Dollars at Work: Performance Goals

OUTCOME 4: RANGE OF QUALITY EVENTS, CULTURAL OFFERINGS, AND PUBLIC ARTWORKS

| 5 Year Strategic Goals | CSA Performance Measures | 2015-2016 Actual | 2016-2017 Target | 2016-2017 Estimate | 2017-2018 Target | 5-Year Goal |
|--|--|------------------|------------------|--------------------|------------------|-------------|
| Provide a diverse range of arts and cultural offerings for residents and visitors | 1. % of residents rating the availability of a diverse range of quality arts and cultural activities in the City as good or excellent | N/A ¹ | 50% | N/A ¹ | N/A ¹ | 55% |
| Encourage a full range of outdoor special events that serve diverse communities and visitors | 1. % of residents rating the City's efforts at providing an adequate number and variety of outdoor special events as good or excellent | N/A ¹ | 41% | N/A ¹ | N/A ¹ | 40% |
| | 2. Estimated City revenue from signature events (events and festivals solicited and supported by the City) | N/A ² | \$1.0M | N/A ² | N/A ² | \$4.5M |

¹ Data for this measure is typically collected in the fall through the biennial City-Wide Community Survey. This survey was not issued last fall, however, which limits the information available to report. The next community survey will be conducted in spring 2017, and those results will be reported in the 2017-2018 Adopted Budget.

² An economic impact analysis for the signature events is needed to obtain the data for this measure.

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Community and Economic Development

PROPOSED BUDGET CHANGES

| Proposed Changes | Positions | All Funds (\$) | General Fund (\$) |
|--|---------------------|-------------------------|--------------------------|
| ECONOMIC DEVELOPMENT | | | |
| • Business Development and Economic Strategy Activities | | 200,000 | 200,000 |
| • Office of Cultural Affairs Staffing | 1.00 | 87,156 | 0 |
| <i>Subtotal</i> | <u>1.00</u> | <u>287,156</u> | <u>200,000</u> |
| FIRE | | | |
| • Fire Development Fee Program | | 114,000 | 114,000 |
| <i>Subtotal</i> | <u>0.00</u> | <u>114,000</u> | <u>114,000</u> |
| HOUSING | | | |
| • Housing Production Program - Homelss Projects | 1.00 | 155,322 | 0 |
| • Rental Rights and Referrals Program - Tenant Protection Ordinance and Ellis Act Ordinance Housing Staffing | 1.00 | 2,039 | 0 |
| • Homeless Services Staff Realignment | 1.00 | 0 | 0 |
| <i>Subtotal</i> | <u>3.00</u> | <u>157,361</u> | <u>0</u> |
| PLANNING, BUILDING AND CODE ENFORCEMENT | | | |
| • Planning Development Fee Program | 15.12 | 2,069,864 | 2,069,864 |
| • Urban Village Planning Staffing | 1.00 | 474,590 | 474,590 |
| • Greenhouse Gas Reduction Strategy | | 375,000 | 375,000 |
| • Business Permit Process Improvement Bootcamp | | 200,000 | 200,000 |
| • San Jose Regional Transportation Hub Project- Planning Staffing | 1.00 | 150,000 | 150,000 |
| • Policy and Ordinance Support Staffing | | 150,000 | 150,000 |
| • Housing Projects Environmental Review Staffing | 1.00 | 122,778 | 0 |
| • Wastewater Treatment Plant Projects Environmental Review | 1.00 | 101,370 | 0 |
| • Fire and Public Works Development Fee Programs and Other Fee Programs | 0.18 | 22,047 | 22,047 |
| • Building Development Fee Program | (5.30) | (868,578) | (868,578) |
| <i>Subtotal</i> | <u>14.00</u> | <u>2,797,071</u> | <u>2,572,923</u> |
| PUBLIC WORKS | | | |
| • Public Works Development Fee Program | 2.00 | 219,404 | 219,404 |
| <i>Subtotal</i> | <u>2.00</u> | <u>219,404</u> | <u>219,404</u> |
| Subtotal Departments | <u>20.00</u> | <u>3,574,992</u> | <u>3,106,327</u> |

City Service Area

**Community and Economic Development
PROPOSED BUDGET CHANGES**

CITY-WIDE EXPENSES

| | | |
|--|-------------|-------------|
| • 2017 Flood - Building Permit and Inspection Fee Waivers | 200,000 | 200,000 |
| • Cinequest Film and Virtual Reality Festival | 50,000 | 50,000 |
| • San José Regional Transportation Hub Project | 375,000 | 375,000 |
| • Economic Development Pre-Development Activities | 50,000 | 50,000 |
| • Homeless Rapid Rehousing Funding Shift | (4,000,000) | (4,000,000) |
| • Japantown Creative Center for the Arts Transportation Improvements | 400,000 | 400,000 |
| • San José Works: Youth Jobs Initiative | 1,500,000 | 1,500,000 |
| • Sports Authority | 375,000 | 375,000 |
| • Storefront Activation Grant Program | 250,000 | 250,000 |
| • Rebudget: Homeless Rapid Rehousing/Tiny Homes | 2,300,000 | 2,300,000 |

GENERAL FUND CAPITAL, TRANSFERS AND RESERVES

| | | |
|--|-----------|-----------|
| • 2018-2019 Cinequest Film and Virtual Reality Festival Reserve | 50,000 | 50,000 |
| • Earmarked Reserves: Building Development Fee Program Reserve | 5,011,110 | 5,011,110 |
| • Earmarked Reserves: Fire Development Fee Program Reserve | 1,020,788 | 1,020,788 |
| • Earmarked Reserves: Planning Development Fee Program Reserve | 823,112 | 823,112 |
| • Earmarked Reserves: Public Works Development Fee Program Reserve | 1,006,178 | 1,006,178 |

Subtotal Other Changes

0.00 9,411,188 9,411,188

Total Proposed Budget Changes

20.00 12,986,180 12,517,515
