

Request for Policy Analysis (Council Referrals)

Department	PBCE/OEDCA	Rules Date	09-03-2025	Item	C.1
Department Rep. Name/Ext.	Chris Burton/Blage Zelalich	Councilmember Sponsorship	Ortiz		
Policy/Ordinance Subject	Explore Fee Waiver Program for				
	Small Businesses				

Staff Recommendation			
<input checked="" type="checkbox"/> GREEN Adopt based on tradeoffs outlined on next page	<input checked="" type="checkbox"/> YELLOW Defer to a later designated date or the annual Budget Process	<input type="checkbox"/> RED Recommend Council not adopt nominated idea	<input type="checkbox"/> NEEDS CLARIFICATION OR MORE TIME TO EVALUATE

Staff Evaluation		
Is this already underway in a department work plan?	Is this time critical or an emergency?	Will this require substantial resources, staffing, budget, strategic support, or reprioritizing existing work plan?
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Criterion to Determine Scale of Project Complexity	
Project complexity is determined by scoring the project in each of the 3 criteria below and then summing the score.	
a. Low Complexity is a sum of 6 or less.	Total Score = 8
b. Medium Complexity is a sum of 7 – 9.	
c. High Complexity is a sum of 10 or greater.	

Scoring Criterion			Low Complexity			Medium Complexity				High Complexity		
	Estimated Duration		6 – 9 months <input type="checkbox"/> = 1			9 - 18 months <input checked="" type="checkbox"/> = 2				More than 18 months <input type="checkbox"/> = 3		
	Organizational Complexity (Internal)		Can easily be absorbed into existing work plan <input type="checkbox"/> = 1			Planned work (future) <input type="checkbox"/> = 2				Work not currently proposed <input type="checkbox"/> = 3		
			Have staff with required skillset/knowledge <input checked="" type="checkbox"/> = 1			Have staff with required skillset/ requires moderate research <input type="checkbox"/> = 2				Do not have staff with required skillset/requires significant research <input type="checkbox"/> = 3		
			Less than or equal 2 staff required <input type="checkbox"/> = 1			3 - 4 staff required <input checked="" type="checkbox"/> = 2				More than 5 staff required <input type="checkbox"/> = 3		
	(External)		1 Additional department; no community outreach required <input type="checkbox"/> = 1			2 Other departments Involved; some community outreach required <input type="checkbox"/> = 2				3 or more departments and/or external partners involved; significant community outreach required <input checked="" type="checkbox"/> = 3		
DEPT. Required	<input type="checkbox"/> Airport	<input type="checkbox"/> Auditor	<input type="checkbox"/> CMO	<input checked="" type="checkbox"/> OEDCA	<input type="checkbox"/> ESD	<input checked="" type="checkbox"/> Fire	<input type="checkbox"/> HR	<input type="checkbox"/> IT	<input type="checkbox"/> PRNS	<input type="checkbox"/> Police	<input type="checkbox"/> Retirement	
	<input checked="" type="checkbox"/> Attorney	<input type="checkbox"/> Clerk	<input checked="" type="checkbox"/> CMO – Budget	<input type="checkbox"/> Community Energy	<input checked="" type="checkbox"/> Finance	<input type="checkbox"/> Housing	<input type="checkbox"/> IPA	<input type="checkbox"/> Library	<input checked="" type="checkbox"/> PBCE	<input type="checkbox"/> PW	<input type="checkbox"/> DOT	

CMO Approval: /s/ Lee Wilcox Date 9/2/2025

Analysis
Explain the rationale for staff recommendation, including any mitigating factors that need to be considered (recent legislative action, significant work plan changes, etc.). Please address the following as well.
<p>GREEN LIGHT: The Administration can implement this nominated idea under its current work plan. Item should be sent to Council to add to department work plan. (1) How will the idea be approached? (2) If adopted, what is its impact and/or tradeoff to the City Council Focus Area or to a department work plan, including strategic support? (3) What is the minimum viable scope to move the idea forward and reduce its complexity?</p>
<p>The Administration recommends moving forward immediately with an effort to consolidate, promote, and raise awareness of the City’s extensive small business support programs through OEDCA.</p> <ul style="list-style-type: none"> • The City already provides a wide range of support, including storefront improvement grants, neighborhood corridor investments, permitting assistance through the Small Business Ally, enhanced permitting services through the Streamlined Restaurant Program, start-up and neighborhood economic grants, SCORE mentorship, ADA compliance assistance, legal services, and food entrepreneurship accelerators. • Many of these programs are featured on the City’s Small Business Web Portal (Getting Started in San José), which serves as a hub for entrepreneurs and small business owners. (continued)
<p>YELLOW LIGHT: Administration recommends Council defer this nominated idea to a later designated date or the annual Budget Process due to (describe cost implications, workload impacts, or other factors)</p>
<p>The proposal to waive first-year permit, license, and registration fees for qualifying small businesses in growth areas is an important and impactful concept. Staff completed a preliminary assessment of the total cost to small businesses and given the fiscal and workload implications, staff recommend forwarding this concept to the FY 2025-2026 budget process for evaluation.</p> <p>Approximately 70% of all retail/commercial properties citywide are located within Urban Villages and Growth Area. In FY 2024-2025 the City issued approximately 350 permits for tenant improvements in retail and restaurant uses. Using this as a proxy for "First Year" small businesses opening new spaces in San Jose's growth areas, staff assumed approximately 245 businesses would be served. Expansion of the program would require further refinement of program eligibility.</p>
<p>RED LIGHT: The Administration recommends Council not to adopt this nominated idea due to (describe reason implementation would be difficult if not impossible – conflict with other laws, etc.).</p>

Analysis (Continued)

Green Light Continued...

- Building on this platform, staff can improve and enhance outreach and promotion of these services, ensuring they are easier to find, navigate, and access.
- This approach provides an immediate, tangible benefit by simplifying access to City services and ensuring that entrepreneurs are better prepared before entering the permitting and licensing process.

This step is achievable under the existing work plan and provides a strong “win” for small business support and storefront activation today.

Yellow Light Continued...

San Jose’s Business Tax is Rate is \$219.60 for businesses with up to two employees. It then increases \$37.06 per employee, up to 35 employees. The average permit costs for commercial tenant improvements range from \$14,100 to \$61,000 (based on 1500-5000 square feet and the value of improvements ranging from \$100,000 to \$1,000,000). A significant amount of these costs are attributable to the Building and Structures, and the Commercial, Residential and Mobile Home Park Taxes. At the lower end, approximately 35% of the permitting costs result from these taxes. At the upper end, its closer to 75%.

Currently, OEDCA operates the Storefronts Activation Grants program which provides financial assistance to small, ground-floor business with two types of grants to activate vacant commercial storefronts and/or businesses wanting to improve their exteriors. The program has an ongoing budget of \$350,000 from FY 2025-2026, which is estimated to support up to 31 small businesses at between \$10,000 and \$15,000.

- Cost Estimates (based on FY 2024-2025 activity):
 - o San Jose’s Business Tax Waiver: \$53,800 and \$353,000.
 - o Average Permit Cost per Business: \$14,100 – \$61,000 (including construction taxes).
 - o Existing-Level (~30 businesses Citywide): \$350,000 annually.
 - o Expanded Pilot (70 businesses): \$700,000 annually.
 - o Full Growth Area Coverage (~245 businesses): \$2.8M annually.
- Implementing a deeper fee waiver program would require ordinance development, administrative infrastructure, and interdepartmental coordination (OEDCA, Finance, PBCE, CMO-Budget), which are not in the current work plan.
- The budget process provides the right venue to consider program scale, fiscal trade offs, and alignment with other City Council priorities.

By deferring the expansion to the budget process, the City Council can determine the right level of investment while ensuring the program complements and strengthens the City’s existing storefront and small business support efforts.