



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Jim Shannon

SUBJECT: Actions Related to the
Community Benefit
Payment Allocation from
Google

DATE: November 25, 2024

Approved:

Date:

12/3/24

COUNCIL DISTRICT: Citywide

RECOMMENDATION

- (a) Accept an advanced funding allocation of a \$5,000,000 community benefit payment from Google, LLC to be distributed through June 30, 2030, as follows:
 - (1) Grant fund allocation in the amount of \$4,250,000; and
 - (2) Staff and consultant allocation in the amount of \$750,000.
- (b) Adopt the following Fiscal Year 2024-2025 Funding Sources Resolution and Appropriation Ordinance Amendments in the General Fund:
 - (1) Increase the estimate for Other Revenue by \$5,000,000;
 - (2) Establish the Google Community Benefits – Stabilization and Opportunity Pathways City-Wide Expenses appropriation to the Office of Economic Development and Cultural Affairs in the amount of \$200,000; and
 - (3) Establish the Google Community Benefits Reserve in the amount of \$4,800,000.

SUMMARY AND OUTCOME

Approval of staff's recommendations will enable the City to accept an advanced community benefits payment of \$5,000,000 from Google to allow the Community Stabilization and Opportunity Pathway Fund Commission (Fund Commission) to distribute grant funding for community stabilization and economic opportunity programs.

BACKGROUND

On May 25, 2021, City Council approved Google's Downtown West Mixed-Use Plan (Downtown West), which included an extensive development agreement between the City and Google that defines all agreed upon terms for the development of Downtown West. The development agreement also outlined how Google will deliver community benefits, which are investments that go beyond the City's baseline requirements to address the community-identified priorities. The largest community benefit is the intended contribution of up to \$154.8

million into a community-driven Community Stabilization and Opportunity Pathways Fund (Fund).

The purpose of the Fund is to help minimize displacement from rising costs (community stabilization) and maximize opportunities for youth and adults to participate in job opportunities (opportunity pathways) while focusing on communities that have historically been marginalized. Based on the terms of the development agreement, the \$154.8 million in funding is dependent on the development of office space. The Downtown West project will contribute \$21.20 per gross square foot of office to the Fund as office buildings are completed. The first one million square-foot office building will contribute \$15,000,000 at the time building permits are issued. The remainder of the office buildings would pay the associated community benefits amount when an occupancy permit for the building was obtained.

The Fund Commission was established August 9, 2022, when the City Council approved a staff recommendation to add Part 50 to Chapter 2.08 of Title 2 of the San José Municipal Code and authorized the commission to establish its own procedural rules and regulations. Beginning in the fall of 2022, staff led a Citywide recruitment process to identify 13 individuals who would represent commission voting members from the community, as well as one alternate. The rest of the Fund Commission is comprised of three non-voting members from the City, and one non-voting representative from Google. Once the application process conducted by staff for Fund Commission members concluded, the City Manager presented the recommended applicants for appointment to the City Council on December 13, 2022. Currently, there are four vacancies on the commission.

The immediate goals of the Fund Commission were to use initial funds to hire a Fund Manager, create a five-year strategic plan, seek City Council approval of the plan, and then the Fund Manager and Fund Commission would solicit applications and award and monitor grants. After approval of the five-year strategic plan, the City Council would annually review the operations of the Fund. Decisions on grant funding would be made solely by the Fund Commission, thus putting decision-making into the hands of community members. Since May 18, 2024, the Fund Commission has met four times to learn about the development agreement and its mission, review City rules and processes, establish bylaws and rules of conduct, as well as complete necessary documents (e.g., the required Form 700 documentation.)

ANALYSIS

The global pandemic and resulting economic conditions have had major and lasting impacts on downtowns across the country. In many places, office workers are slow to return to the office environment or are simply not returning to work in the office fully. The result is that most companies are now reevaluating their need for office space and restructuring office holdings or delaying development projects. These same challenges have delayed the Downtown West project. Though the project has continued to advance its preliminary phase, focused on interim activation of select existing buildings through Google's partner,

Jamestown, no new construction has begun. At this time, there is no estimated timeline as to when the project may restart major development activities.

Without the development of office space, there is no identified way for the planned community benefits to be generated and allocated to the Fund Commission. In an effort to seek a path forward, Google worked with Fund Commission leadership and City staff to make an advanced community benefits payment in the amount of \$5,000,000. Of the \$5,000,000 total, 85% of the funds or \$4,250,000 is intended to be directed to the Fund Commission to be distributed in the previously designated categories of community stabilization and opportunity pathways. The remaining 15% of the funds, or \$750,000, would be allocated for City staffing and any needed consultant services. It is recommended that the \$4,250,000 would be distributed by the Fund Commission in three separate grant award cycles over a five-year period. The \$750,000 is intended to pay for staff and consultant costs over the same period of time.

City staff will work with the Fund Commission to devise an initial funding plan. As mentioned above, in planning for the full \$154.8 million of community benefits, it was intended to hire a Fund Manager to develop a strategic plan. In order to maximize and streamline the use of the advanced payment from Google for grant funding, staff will instead assist the Fund Commission in devising an initial plan for smaller targeted investments both in community stabilization and opportunity pathways. The Fund Commission initial plan would be presented to the City Council for approval, as was originally intended process outlined in the San José Municipal Code. City Council will receive an annual report on the allocation and monitoring of grants. As mentioned above, staff anticipates three grant cycles that would consist of total funding distributions of roughly \$1,400,000 each over the next five years.

Next Steps

If the City Council accepts staff recommendation and allocates funds as suggested, staff will work to hire temporary staff funded by a portion of the \$750,000 in order to facilitate Fund Commission work. Staff will work with the Fund Commission to solicit applications for the four open Fund Commission seats, which will be presented to the City Council at a future meeting for appointment. City staff will assist the Fund Commission in developing a plan for investments in both community stabilization and opportunity pathways. The Fund Commission initial plan will then be brought to the City Council for approval. No grants will be distributed prior to City Council approval of the initial plan. Staff preliminarily anticipates that recruitment of support staff for the Fund Commission can be brought on board and all vacant commission seats filled by the summer of 2025.

EVALUATION AND FOLLOW-UP

Staff will provide an update on the development of the initial plan to the Community and Economic Development Committee by June of 2025.

COST SUMMARY/IMPLICATIONS

As described above of the \$5,000,000 payment, \$4,250,000 will support grants for the community stabilization and opportunity pathways and \$750,000 will be allocated to staff and consultant services to assist the Fund Commission in its work. An initial allocation of \$200,000 is recommended in the current fiscal year for staffing and as-needed consultant report for the development of the initial plan. The remaining \$4,800,000 will be placed in a reserve for appropriation in future fiscal years. All funds will be expended by June 30, 2030.

BUDGET REFERENCE

The table below identifies the fund and appropriation adjustments recommended in this memorandum.

Fund No.	Appn. No.	Appropriation Name	Total Appropriation	Rec. Budget Action	2024-2025 Adopted Operating Budget Page	Last Budget Action (Date, Ord./Res. No.)
001	R130	Other Revenue	\$10,461,618	\$5,000,000	272	10/22/2024, Res. No. 24-368
001	NEW	Google Community Benefits – Stabilization and Opportunity Pathways	\$0	\$200,000	N/A	N/A
001	NEW	Google Community Benefits Reserve	\$0	\$4,800,000	N/A	N/A

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the December 17, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

Staff conferred with the Fund Commission leadership and with Google staff on this memorandum. No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

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Staff will schedule a Fund Commission meeting with the remaining commission members in 2025.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

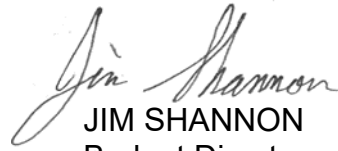
PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

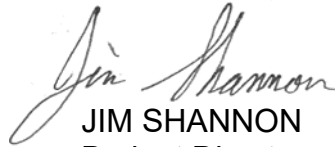
NANCI KLEIN

Director of Economic Development and
Cultural Affairs



JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2024-2025 moneys in excess of those heretofore appropriated wherefrom, said excess being at least \$5,000,000.



JIM SHANNON
Budget Director

For questions, please contact Nanci Klein, Director of the Office of Economic Development and Cultural Affairs, at (408) 507-0430.