



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

SUBJECT: See Below

DATE: February 24, 2025

Approved

Date:

3/7/2025

COUNCIL DISTRICT: Citywide

**SUBJECT: Proposed Economic Strategy Work Plan for Fiscal Year 2025-2026
and Fiscal Year 2026-2027**

REASON FOR REPLACEMENT

This replacement memorandum provides staff's updated context and analysis for a revised Proposed Economic Strategy Work Plan for Fiscal Year 2025-2026 and 2026-2027. These refinements also include feedback from the Community and Economic Development Committee at its January 27, 2025, meeting. This memorandum replaces the January 27, 2025, Community and Economic Development Committee memorandum.

RECOMMENDATION

Approve the City Manager's Office of Economic Development and Cultural Affairs proposed Economic Strategy Work Plan for Fiscal Year 2025-2026 and Fiscal Year 2026-2027.

SUMMARY AND OUTCOME

This memorandum, grounded in the City Manager's Office of Economic Development and Cultural Affairs (OEDCA) current funding and staffing capacity, presents a strategically refined set of objectives and key results. Together, these elements form OEDCA's proposed Economic Strategy Work Plan (Work Plan) for Fiscal Year (FY) 2025-2026 and Fiscal Year (FY) 2026-2027, which provides a focused and results-driven approach to economic development.

The outlined objectives are designed to guide OEDCA’s efforts over the two-year Work Plan, while the corresponding key results and performance metrics will be assessed annually to ensure measurable progress. This strategic framework prioritizes four key objectives, each aimed at driving sustainable economic growth, fostering innovation, and strengthening the City’s position as a hub for business and cultural vitality.

BACKGROUND

Mission, Core Services, and Programs

OEDCA's mission is to “catalyze job creation, private investment, revenue generation, talent development and attraction, and a diverse range of arts, cultural and entertainment offerings.” It provides five core services through a service delivery framework that includes 16 programs, as detailed in **Figure 1**.

Figure 1: OEDCA Core Services and Programs

Core Service	Program
Arts and Cultural Development	<ul style="list-style-type: none"> • Arts and Cultural Development Administration • Convention and Visitors Bureau • Cultural Grants • Cultural Facilities Operations and Maintenance • Outdoor Events • Public Art/Placemaking
Business Development and Economic Strategy	<ul style="list-style-type: none"> • Business District Management • Business Outreach and Assistance • Development Attraction and Facilitation • Economic Policy Analysis/Communications
Real Estate Services	<ul style="list-style-type: none"> • City Lease Administration • City Property Acquisition and Sales
Regional Workforce Development	<ul style="list-style-type: none"> • Workforce Development Services • Workforce Innovation and Opportunity Act Board Support and Administration
Strategic Support	<ul style="list-style-type: none"> • Management and Administration • Emergency Response and Recovery

2010-2015 Economic Strategy

On April 4, 2010, City Council adopted a 2010-2015 Economic Strategy; this was during the time when the economy was beginning to come out of one of the worst recessions on record. The 2010-2015 Economic Strategy defined 12 bold goals for the City to help improve and stimulate the local economy. **Attachment A – 2010-2015 Economic Development Goals** lists the 12 goals grouped into two categories: 1) aggressively regain jobs and revenue as the national economy recovers, and 2) create an outstanding business and living environment that can compete with the world's best cities over the long term.

Subsequently, City Council adopted three successive two-year work plans to identify and operationalize priority staff initiatives. In 2016, City Council adopted a two-year work plan using the same 12 economic development goals. Throughout this time, staff provided annual updates to the Community and Economic Development Committee and City Council. In each two-year work plan, OEDCA identified five to six of the 12 strategy goals to focus on, knowing that it was not feasible to work on all 12 goals simultaneously.

The 2010-2015 Economic Strategy acknowledged that economic development remains an organization-wide priority. Businesses of all sizes are constituents that rely on the collective support and services provided by multiple City departments. Whether it is ensuring public safety through the efforts of the Police and Fire departments, maintaining public infrastructure and transportation via the Public Works, Environmental Services, Transportation, and Airport departments, or fostering a clean, welcoming environment through Code Enforcement and BeautifySJ services from the Planning, Building, and Code Enforcement Department and Parks, Recreation, and Neighborhood Services Department, respectively, every City service plays a role in shaping an attractive, business-friendly community. Each interaction between businesses and City services represents an opportunity to strengthen economic activity, support investment, and enhance the overall business climate.

COVID-19 Response and Recovery

The economic disruptions brought on by the COVID-19 pandemic in 2020 necessitated a strategic shift in OEDCA, prompting a heightened focus on supporting the small business community—particularly micro-businesses, immigrant entrepreneurs, and enterprises operating in historically under-resourced neighborhoods.

In response, OEDCA implemented direct financial relief initiatives, including small business recovery grants, storefront activation grants, and commercial rent debt relief grants. Additionally, OEDCA provided technical assistance through educational webinars and the revitalization of the BusinessOwnerSpace platform. OEDCA

conducted targeted outreach through regular neighborhood business walks to further bolster neighborhood business districts and ensure that businesses had access to essential resources.

Beyond direct economic support, OEDCA streamlined access to federal and state relief programs and worked to strengthen local supply chains and equip entrepreneurs with the tools needed to transition into digital marketplaces. OEDCA played a pivotal role in staffing the City Council-appointed COVID-19 Recovery Task Force, specifically leading the Supporting Small Businesses Committee and the Just Recovery for Airport, Hotel, and Arts Workers Committee. These efforts culminated in the City Council's approval of the COVID-19 Recovery Task Force Report in December 2022, solidifying a strategic roadmap for economic resilience.

During the pandemic and in recovery, OEDCA's large, complex, and diverse workload continued to expand. This includes work plan items such as large-format digital signage, the Berryessa Flea Market, and unpermitted vendors. Now, in light of the City's challenging budget situation and the need to pursue current economic opportunities, OEDCA needs to re-focus on work that creates jobs and generates revenue for the City. In addition, OEDCA needs to focus on driving the activation of Downtown and neighborhoods through sports, arts, and entertainment, which enhances quality of life and leads to jobs and revenues.

ANALYSIS

As described above, OEDCA has had a growing, complex, and diverse workload. While important, some of these initiatives do not necessarily drive significant job and revenue generation for the City, which should be the core focus of OEDCA. The Administration recommends that OEDCA focus on fewer but more directly impactful efforts.

San José's Economic Context: Challenges and Opportunities

In today's rapidly evolving economic landscape, the City of San José faces mounting challenges, including housing affordability, climate change resilience, and infrastructure strain. At the same time, technological advancements, public-private partnerships, and emerging industries present significant opportunities for growth and resilience.

Attachment B – Economic Snapshot, February 2025 provides information on economic conditions at the national, regional, and local level.

With limited financial and human resources, OEDCA must strategically focus on initiatives that yield the highest return on investment—growing jobs through business attraction and expansion, supporting small businesses, continuing to accelerate Downtown's success, attracting emerging industries, and activating our sports, arts, and entertainment industries. By prioritizing data-driven decision-making and leveraging the

Pareto Principle, OEDCA can ensure that every dollar and effort contributes to our community's long-term economic stability and prosperity.

Pareto Principle

The Pareto Principle suggests that roughly 80% of results come from 20% of causes. In business terms, this means that 80% of profits come from 20% of a company's products or services. Those who employ the Pareto Principle use it to prioritize the "vital few" that have the biggest profit results. An example of OEDCA's use of the Pareto Principle is the prioritization of outreach to large and medium businesses. Just 3% of San José's 60,000 businesses (roughly 1,800 businesses) account for roughly half of San José's employment. Working directly with medium or large businesses yields a high probability of attracting, expanding, or retaining companies and related jobs.

Proposed Work Plan for FY 2025-2026 and FY 2026-2027

To ensure departmental focus and achieve desired outcomes, OEDCA proposes a two-year work plan comprised of four objectives with corresponding key results as detailed in **Figure 2**. These four objectives are "bread and butter" or "back to basics" approach to economic development work streams that will help bolster the City's competitiveness in the regional, national, and global markets. The objectives are centered on building a strong local economy, of which a fundamental economic development practice is proactive business outreach and engagement. Ensuring that we maintain strong relationships with our largest employers and key sales tax generators is not just beneficial—it is essential to the City's financial health. Approximately 52% of the City's sales tax revenue comes from the top 100 employers, making regular engagement with these businesses a critical function of the City's economic strategy.

By prioritizing direct outreach, OEDCA can better understand and respond to the evolving needs of the City's largest employers, ensuring that they remain in our City, grow their operations, and continue contributing to our economy. This includes fostering communication through dedicated corporate outreach, sector-based business retention visits, and ongoing collaboration to support workforce, infrastructure, and regulatory challenges and needs. A data-driven approach to business engagement will allow OEDCA to proactively identify risks—such as potential relocations or downsizing—and intervene where possible to support business continuity.

Undergirding the economic strategy is a well-structured permitting process that ensures growth aligns with long-term community goals, regulatory frameworks, and fiscal sustainability. The efficiency of the development services process directly impacts the speed at which businesses can establish or expand operations. While this is important for both small and large businesses, small businesses often need greater assistance with navigating the permitting and regulatory process.

The objectives also include focus on positioning San José as a premiere sports, arts, and entertainment destination. A driving force is the opportunity with the 2026 sports events, as well as leveraging the investments of the San José Sharks, San José Earthquakes, and other sports, arts, and cultural entities.

Figure 2: Proposed Economic Strategy Work Plan Objectives and Key Results

Objective	Key Results
<p>1. Grow jobs and revenue and promote innovation from large and medium-sized businesses in key sectors such as manufacturing and artificial intelligence.</p>	<ul style="list-style-type: none"> ▪ Add (attraction or expansion) a total of 3,000 jobs. ▪ Increase the City’s sales, property, and utility tax revenue by \$2M. ▪ Increase business retention visits by 25%. ▪ Generate/facilitate the permitting of two data centers.
<p>2. Foster small business resilience and create thriving business districts.</p>	<ul style="list-style-type: none"> ▪ Establish two new business assessment districts. ▪ Generate combined revenue of \$550,000 from assessment districts. ▪ Reduce the time to resolve small business-related issues (permitting, licensing, etc.). ▪ Award 100% of City-wide allocated Storefronts Grant funding each year, with at least 30% facilitating a reduction in vacant ground floor retail spaces.
<p>3. Accelerate a thriving Downtown.</p>	<ul style="list-style-type: none"> ▪ Generate 10 commercial lease renewal commitments. ▪ Facilitate 10 new business attractions. ▪ Achieve 10% year-over-year increase in downtown foot traffic. ▪ Receive a 10% increase in positive sentiment in the Focus Area Community Survey.

Objective	Key Results
<p>4. Activate San José as the South Bay's hub for sports, arts, and entertainment.</p>	<ul style="list-style-type: none"> ▪ Secure San Jose Sharks in San José for 25 years. ▪ Secure San Jose Giants in San José for 25 years. ▪ Complete the policy work related to: Supergraphics Special Events Zone and Entertainment Zones, including pilot implementation. ▪ Produce or facilitate at least eight outdoor special events specific to 2026 activities and deliver six public artworks. ▪ Facilitate at least 400 city-wide outdoor special event days that cumulatively drive over two million attendees. ▪ Develop a sports and entertainment district within walking distance of the SAP Center for City Council approval by June 2027. ▪ Increase visitors to the Downtown by 10% as a result of arts and cultural programming and events.

Workload Impacts

Upon City Council approval of the proposed Work Plan, OEDCA leadership and staff will allocate a significant portion of time and resources to the approved objectives and key results. While core services will continue to move forward—such as real estate services and the federally funded Workforce Innovation and Opportunity Act Program—some projects/work streams may be delayed, reduced in scope, or included in the scope of a partner organization’s contract due to prioritization of the four objectives. If the OEDCA Work Plan is approved, a Manager’s Budget Addendum will be released in the Spring that will recommend for City Council consideration those projects/work streams that should be deprioritized for at least the next two years.

EVALUATION AND FOLLOW-UP

The steps taken today to refine the scope and strategic priorities of OEDCA represent an important initial phase in a broader effort to enhance OEDCA's effectiveness. The Administration is currently conducting a comprehensive evaluation of OEDCA, focusing on improving the alignment of its Core Services and Programs with the City's overarching objectives. This review also includes an assessment of OEDCA's organizational structure to ensure it is optimally positioned to address the City's most urgent challenges and emerging opportunities. While further refinements are anticipated prior to the release of the FY 2025-2026 City Manager's Proposed Operating Budget, several key adjustments will be incorporated into the upcoming budget development process to align resources with the City's strategic vision. In addition, a Manager's Budget Addendum will be brought forward in the Spring that recommends those projects/work streams that should be deprioritized for at least the next two years.

With City Council approval of the proposed Economic Strategy Work Plan for FY 2025-2026 and FY 2026-2027, OEDCA will provide semi-annual updates to the Community and Economic Development Committee.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Agenda website for the March 18, 2025 City Council meeting.

On January 13, 2025, OEDCA leadership met with staff in City departments, including the Planning, Building and Code Enforcement, Transportation, and the Housing departments. Comments from partner departments included ensuring that staff is clear on how the recommended objectives and key results are integral to the City's success. Colleagues suggested a focus on telling the story of San José and why, for example, small, medium, and large businesses are key to the City's economic well-being. Staff also advised that metrics should be as targeted and specific as possible, and staff time and resources should be focused on approved objectives and key results.

On February 27, 2025, staff held an additional meeting with stakeholders, including the San José Chamber of Commerce, San José Downtown Association, San José State University, representatives of the development, business, and investment communities, and City staff. Comments from attendees were generally supportive of the Work Plan

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objectives and key results presented. Attendees suggested further refinements to metrics, suggested targeting AI companies that require space and overlap with hardware and software companies, shared a desire to showcase assets City-wide, and highlighted the importance of measuring economic impacts from the 2026 sports events.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project File No. PP17-008, General Procedure and Policy Making resulting in no changes to the physical 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 the City Manager's Office of
Economic Development and Cultural
Affairs

For questions, please contact Nanci Klein, Director of the City Manager's Office of Economic Development and Cultural Affairs, at (408) 535-8184.

ATTACHMENTS:

Attachment A: 2010-2015 Economic Development Goals

Attachment B: Economic Snapshot, February 2025

Attachment A

2010 - 2015 Economic Development Goals

Strategic Goals 2010-2015

Regain Jobs and Revenue

- #1 Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure
- #2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality
- #3 Preserve and Strengthen Manufacturing-Related Activity and Jobs
- #4 Nurture the Success of Local Small Businesses
- #5 Increase San Jose's Influence in Regional, State, and National Forums in Order to Advance City Goals and Secure Resources
- #6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San Jose

Invest for Future Success

- #7 Prepare Residents to Participate in the Economy Through Training, Education, and Career Support
- #8 Advance the Diridon Station Area as Key Transportation Center for Northern California
- #9 Keep Developing a Competitive, World Class Airport, and Attract New Air Service
- #10 Continue to Position Downtown as Silicon Valley's City Center
- #11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent
- #12 Develop a Distinctive Set of Sports, Arts, and Entertainment Offerings, Aligned With San Jose's Diverse, Growing Population

Attachment B

Economic Snapshot¹ February 2025

Overview

The U.S. economy is undergoing a significant transformation, driven by rapid technological advancements, shifting workforce demographics, and evolving industry demands. These dynamics present both challenges and opportunities for economic development at the national and local levels. As a global hub for technology and innovation, San José is well-positioned to leverage its assets to attract investment, support emerging industries, and enhance its competitive advantage.

Innovation and Technology Leadership

San José remains the cornerstone of Silicon Valley's innovation-driven economy, supported by a robust technology ecosystem across Professional Services, Manufacturing, and Information sectors. The city's innovation metrics reflect sustained growth, with patents issued increasing nearly threefold from 3,500 in 2000 to an estimated 10,200 in 2023. This growth underscores San José's ability to adapt and lead through successive waves of technological advancement. Current innovation priorities include advanced Artificial Intelligence (AI) applications, sustainability and green tech, and the emerging field of quantum computing with its potential to accelerate the already fast-paced evolution of AI and other technologies.

Pandemic Impact and Economic Response

The transition to remote operations during the pandemic catalyzed unprecedented growth in online activity. Local technology companies experienced substantial demand increases across various sectors. Remote meeting platforms, electronic documentation services, networking infrastructure providers, and entertainment streaming services all saw significant growth, pushing unemployment to a historic low of 2.4% in May 2022. However, this growth proved unsustainable. By late 2022, the tech sector began reducing its workforce, leading to over 48,000 job cuts in tech-related industries across the Bay Area between 2022 and 2024, including nearly 12,000 in Santa Clara County alone.² To note, the loss of 12,000 tech industry jobs is equivalent to 1% of the total number of people employed in jobs across all industries in Santa Clara County as of November 2024.

Despite these challenges, the economic cycle has been less severe than prior downturns. San José's unemployment rate, while elevated at 4.2% as of November 2024³, has remained below 5% since the pandemic recovery began, reflecting resilience compared to previous economic contractions.

The table below, including citywide vacancy rates, offers a snapshot of key economic indicators for San José, comparing the period immediately before the COVID-19 pandemic (2019) to the period immediately after and following. (The pandemic was officially declared over and the last emergency measures lifted in Spring 2023.) The pandemic itself (early Spring 2020 to Spring 2023) was marked by extraordinary economic volatility.

¹ This document was produced by OEDCA staff and reviewed by labor market analytics company Lightcast.

² <https://www.siliconvalley.com/2024/10/28/bay-area-tech-jobs-economy-work-layoff-medical-silicon-valley-internet/>

³ California Employment Development Department, Labor Market Information, Unemployment Rates (Labor Force), Sub-County Place, San Jose city, 2024, November

Indicators	2019	2023	2024	Change 2019–2023
Population ^a	1,018,809	970,772	969,491	-48,037 (↓4.7%)
San José Jobs ^b	439,004	414,708	374,884	-24,296 (↓5.5%)
Unemployed / Unemployment Rate	14,700 ^c / 2.7% ^c	20,000 ^c / 3.7% ^c	23,300 ^d / 4.3% ^d	5,300 (↑36.0%) / N.A.
Office Vacancy (Q2) ^e	12.1%	24.5%	23.5%	12.4 (↑102%)
R&D Vacancy (Q2) ^e	12.4%	12.5%	14.5%	0.1 (↑0.8%)
Industrial Vacancy (Q2) ^e	2.6%	2.5%	3.8%	-0.1 (↓3.8%)
Retail Vacancy (Q2) ^f	5.5%	4.6%	5.3%	-0.9 (↓16.4%)

^a State of California, Department of Finance. *E-4 Population Estimates for Cities, Counties, and the State, 2010-2020 & 2020 – 2024, with 2010 and 2020 Census Benchmarks*

^b California Employment Development, Labor Market Information Division, Custom Data Services. 2024 is average through 2nd Quarter only

^c California Employment Development Department, *Labor Force and Unemployment Rate for Cities and Census Designated Places, Historical Data, 2019, 2023*

^d California Employment Development Department, *Monthly Labor Force Data for Cities and Census Designated Places, preliminary average for 2024*

^e Cushman & Wakefield

^f CoStar

Population and Demographics

San José, with an estimated population of 969,491⁴ as of 2024, is the largest city in Northern California and the 13th largest in the nation. This marks a 4.3% decrease from the April 2020 Census estimate of 1,013,241.⁵

Diversity is integral to San José’s demographic and economic identity. Foreign-born individuals account for 42%⁶ of the city’s residents, underscoring its status as one of the most immigrant-rich cities in the nation.

⁴ State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

⁵ State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

⁶ U.S. Census Bureau, *2023 ACS 5-Year Estimates*, 2023.

The city’s ethnic diversity is striking, with 31% of residents, regardless of race, identifying as Hispanic or Latino. Although this share is lower than California’s statewide proportion of 40%, it far exceeds the national average of 19%.⁷ Among racial groups, Asian residents compose the largest, making up 39% of the population—a proportion significantly higher than that of California (15%) and the United States (6%).⁸ Meanwhile, White individuals account for 29% of San José’s population, compared to 44% statewide and 63% nationally.

Figure 1. Ethnic Composition by Region: San José, California, and the United States (2023)

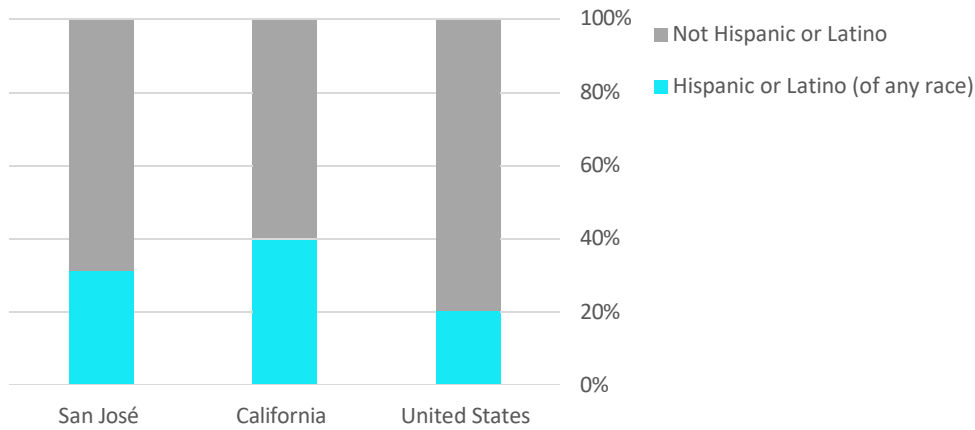
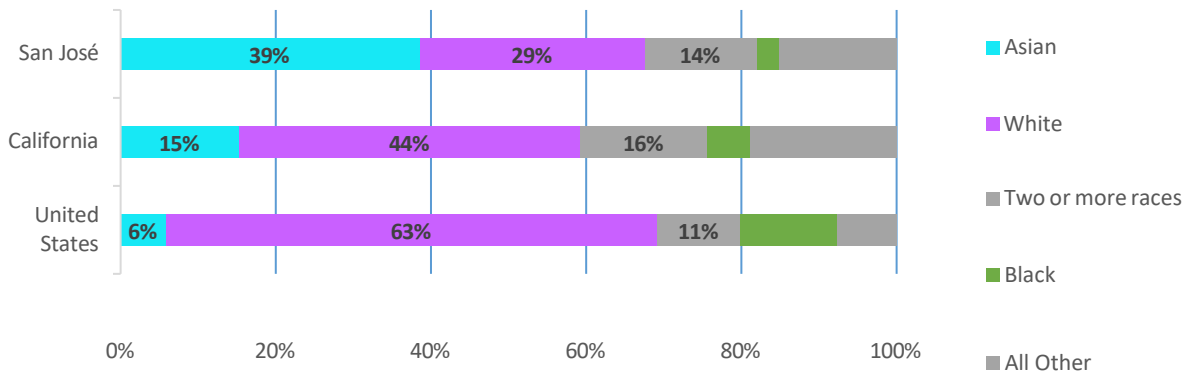


Figure 2. Racial Composition by Region: San José, California, and the United States (2023)



These demographic trends not only define San José’s cultural character but also underpin its economic resilience. Foreign-born individuals represent just over half (51%) of San José’s employed population, positioning the city as a hub for industries reliant on multicultural talent and perspectives. Similarly, the diversity share of employment⁹ across all sectors reached an estimated 65% in 2023, increasing from 62% in 2019.¹⁰

⁷ U.S. Census Bureau, U.S. Department of Commerce, ACS Demographic and Housing Estimates, 2023, American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP05, 2023.

⁸ Ibid.

⁹ Share of workers not identifying as “White, Not Hispanic or Latino”

¹⁰ Lightcast, 2024.4

Business and Industry Dynamics

San José’s economic framework is driven by a diverse set of industries and businesses that collectively create a robust and dynamic environment. The city is home to approximately 60,000¹¹ businesses with payroll employees. These businesses, of which most (97%) are classified as small businesses,¹² contributed to an employment base of 414,708 jobs in 2023.¹³

Employment by Sector

Among industry sectors, Health Care and Social Assistance leads in employment, followed closely by Manufacturing.¹⁴ Other high-performing sectors include Professional, Scientific and Technical Services, and Information. These sectors are key areas of economic strength and growth, particularly as the city further solidifies its status as a technology epicenter.

San José’s top 10 industry sectors by employment in descending order are as follows:

Industry Sector	Jobs (2023)	Change (%) 2019 –2023
Health Care and Social Assistance	57,637	14%
Manufacturing	45,742	-6%
Public Administration	41,153	9%
Professional, Scientific, and Technical Services	38,283	-5%
Retail Trade	35,748	-14%
Accommodation and Food Services	34,061	-6%
Administrative and Support and Waste Management and Remediation Services	33,083	0%
Construction	26,194	-3%
Information	14,667	3%
Wholesale Trade	11,565	-19%

Data above from the California Employment Development, Labor Market Information Division, Custom Data Services

¹¹ Business license data, Finance Department, City of San José. 2024

¹² Defined by the city has having up to 35 employees

¹³ California Employment Development Department, Labor Market Information Division, Custom Data Services, October 2024

¹⁴ Lightcast: City Overview, San José, at the two-digit NAICS level

Major Employers

San José's largest employers reflect the city's balance of institutional stability and private-sector innovation. In 2024, the County of Santa Clara remains the largest employer, providing jobs to 22,732 individuals and accounting for 4.4% of total employment in the city. Following the county, the City of San José employs 8,262 workers, indicative of the vital role of public sector employment in maintaining regional economic stability.

The city's private sector is dominated by technology firms, many of which are global leaders in their fields, including Cisco Systems, the largest local private sector employer, followed by Adobe, eBay, PayPal, and Broadcom.

Other major institutions that play a critical role in diversifying the employment landscape include San José State University (4,086 employees), Kaiser Permanente (3,969 employees) and Santa Clara University (1,960 employees). They provide key local contributions in higher education and health care that complement San José's technology-centric ecosystem in a mutually beneficial manner.

Driving Sectors

San José has demonstrated economic resilience as a central contributor to Santa Clara County's Gross Regional Product (GRP), which grew by 39% from \$280.5 billion in 2017 to \$390.2 billion in 2023 (measured in 2017-chained dollars).¹⁵ The city plays a vital role in this growth, which is driven by contributions from the Information, Manufacturing, and Professional Services sectors. In 2023, Santa Clara County's Information sector contributed \$94.82 billion, and Manufacturing added \$91.25 billion, collectively accounting for 47% of the county's GRP and highlighting the importance of technology and advanced manufacturing industries.

The region's strengths in technology and manufacturing propel economic growth as exporters of goods and services beyond the region, contributing to greater economic stability and resilience. Unlike sectors prone to volatility, such as tourism or agriculture, technology and manufacturing are considered highly desirable due to their capacity for innovation, high-value outputs, and adaptability in a competitive global market despite occasional periods of disruption introduced by rapid advancements. Complementing this dynamic growth, the Health Care and Professional Services sectors provide steady economic stability, contributing \$18.60 billion and \$58.40 billion in GRP, respectively, further reinforcing the region's robust economic foundation.

The table below details the economic performance of the top five industries in Santa Clara County by GRP in 2023.

¹⁵ Lightcast, 2024.4

Industry Sector ^a	GRP Earnings (2023)	Property Income (2023)	Taxes ^b (2023)	GRP (2023)
Information	44.23B	48.12B	2.49B	94.82B
Manufacturing	63.68B	25.27B	2.33B	91.25B
Professional, Scientific, & Technical Services	51.62B	5.43B	1.36B	58.40B
Health Care and Social Assistance	15.87B	2.40B	473.65M	18.60B
Government	14.06B	1.94B	0	15.97B

^a Lightcast, 2024.4

^b Includes all taxes on production and imports, including sales tax, with subsidies subtracted

Downtown San José

Downtown San José plays a central role in the city’s economic, cultural, and social life. As Silicon Valley’s only true urban center, it houses a diverse mix of private and public land uses connected via high-quality regional and local transit. While not the largest employment center in San José, it houses the city’s largest concentration of multistory office space (11 million square feet) and is home to headline employers like Adobe and Zoom; San José State University (40,000 students and staff); flagship hotels and convention facilities; and marquee visual and performing arts anchors.

The area has seen notable shifts in recent years, influenced by changing work patterns, evolving economic conditions, and efforts to adapt to post-pandemic realities. In Q4 2024, office vacancy stood at roughly 30%, the highest since at least the dot-com bust of the early 2000s. While challenges remain, including office vacancies and quality-of-life concerns, ongoing initiatives aim to address these issues through targeted investments in public spaces, safety, and activation.

Downtown is also a critical part of the city’s growth plan, with capacity cleared for thousands of new homes and jobs in proximity to existing and future regional rail anchored by Diridon Station. While economic conditions have slowed some projects, such as Boston Properties’ Platform 16, the completion of new developments like The Fay in SoFA signal potential for long-term growth.

Experience Economy

Given the negative impact of the increase in remote work particularly on downtowns in large cities nationally including San José, the need to strengthen and amplify a local experience economy has come to the fore. The experience economy is characterized by participation and connection through entertainment, artistic, cultural, culinary, and other types of memorable experiences that drive visitors and economic impact. For example, according to Americans for the Arts’ 2023 Arts and Economic Prosperity Report on the economic and social impact of San José’s nonprofit arts and cultural organizations and their audiences, the sector’s estimated direct economic activity is \$292 million. The estimated number of jobs supported by the nonprofit arts sector is 4,738. The estimated total attendance to in-person nonprofit arts events is 4.4 million. Amongst the social impacts, 86% of nonprofit art and cultural organizations’ audiences agreed, “This activity or venue is inspiring a sense of pride in this neighborhood or community.”

Small Business Ecosystem

There are 57,000 small businesses located in the city of San José¹⁶ sustaining 230,000 jobs which represents a key driver of resident income and family wealth creation for the city’s residents. On average a business remains at the same physical location for 11 years¹⁷ demonstrating a major contribution to the stability of local neighborhoods and the city’s economic resiliency. Twenty thousand small business are registered in a residential location providing a strong runway of current and future business formation and innovation across a broad range of sectors including tech and professional services. Over the past 10 years more new business licenses have been issued than closed signaling the economic opportunity of locating in San José. Entrepreneurship allied to educational attainment has enabled San José to sustain one of the strongest pathways to intergenerational mobility in the United States¹⁸.

Labor Market and Employment Outcomes

San José’s employment trends reflect the region’s vulnerability to broader economic fluctuations while also highlighting its resilience and capacity for recovery post-pandemic.¹⁹ After a period of stability, the COVID-19 pandemic caused significant disruption, with unemployment rates spiking to 14.4% in April 2020.²⁰ Although recovery efforts restored employment levels close to pre-pandemic figures by 2022, recent declines suggest persistent challenges. As of November 2024, the monthly employment total has fallen to 519,200, with a 4.2% unemployment rate.²¹

San José Employment Trends

The table below provides annual labor force, employment, and unemployment figures for San José, except that for 2024, which remains in progress at this writing, the most recent month’s data are used.

Year	Labor Force	Employed Residents	Unemployed Residents	Unemployment Rate
2017	549,500	530,900	18,500	3.4%
2018	549,500	534,300	15,200	2.8%
2019	551,300	536,600	14,700	2.7%
2020	545,100	500,400	44,700	8.2%
2021	534,800	506,100	28,700	5.4%
2022	543,800	528,200	15,500	2.9%
2023	547,700	527,700	20,000	3.7%
2024 (prelim) ^a	543,800	520,500	23,300	4.3%

^a California Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places, preliminary 2024 averages

¹⁶ San José business license data, January 2025.

¹⁷ San José business license data, January 2025.

¹⁸ The Quarterly Journal of Economics Volume, 129, November 2014, Pages 1553-1623. *Where is the land of Economic Opportunity? The Geography of Intergenerational Mobility in the United States.*

¹⁹ In this Economic Snapshot, “pre-pandemic” refers to the period leading up to March 2020 and “post-pandemic” to 2024 onwards.

²⁰ California Employment Development Department, Data for All County Sub-Areas, Historical Monthly Estimates, 2010-2024

²¹ California Employment Development Department, Data for All County Sub-Areas, Current Month

Unemployment Disparities by Ethnicity and Race

As of the latest estimates (February 2024), workers identifying as Hispanic or Latino in Santa Clara County face an unemployment rate of 6.4%, compared to 3.7% among those who do not identify as Hispanic or Latino. Among racial groups, Black/African American residents consistently experience the highest unemployment rate, at 7.3%, in contrast to White residents, whose unemployment rate stands at 3.4%.

Ethnicity	June 2019	June 2020	June 2021	June 2022	June 2023	February 2024
Hispanic/Latino	3.5%	11.6%	6.4%	3.5%	4.6%	6.4%
Not Hispanic/Latino	2.4%	9.8%	5.2%	2.4%	3.4%	3.7%
Race	June 2019	June 2020	June 2021	June 2022	June 2023	February 2024
Asian	2.7%	14.0%	7.2%	2.7%	4.2%	5.2%
Black/African American	6.3%	14.2%	8.9%	6.2%	8.6%	7.3%
White	2.2%	7.2%	3.9%	2.3%	2.8%	3.4%
American Indian/ Alaska Native	3.7%	6.4%	4.2%	2.9%	2.8%	3.4%

Source: *Lightcast*, 2024.4. Extrapolated from Bureau of Labor Statistics data for larger regions

City Jobs to Residents Imbalance

San José’s jobs-to-employed residents (J/ER) ratio hovers around 0.8 historically. Other communities, such as Palo Alto, have a J/ER ratio above 2.0. San José through its General Plan policies has worked toward a target of 1.0 J/ER ratio.

Employment lands and jobs bring much needed dollars to the city, which in turn provide revenue for City services. Fewer jobs places more downward pressure on the City's finances.

Cost of Living and Economic Strain

The region's historically high cost of living presents significant challenges, exceeding state averages by 27% and national averages by 76%. These have been made worse by the extraordinary inflation that followed efforts to mitigate the economic consequences of the COVID-19 pandemic. Housing costs are particularly burdensome, surpassing state averages by 65% and national averages by 225%.²² These pressures

²² Cost of Living Index, Council for Community and Economic Research, September 2024

significantly affect residents, with 25% of Santa Clara County households struggling to meet basic needs.²³ They have also impacted businesses, as companies struggle to recruit required talent.

The economic strain shows clear demographic patterns. Latino households face the greatest challenges, with 50% struggling to afford basic needs, followed by African American households (41%).²⁴ In contrast, White and Asian households show greater economic resilience, with only 19% and 18% respectively struggling to meet basic needs.

Educational Attainment and Economic Opportunity

Educational attainment strongly correlates with economic stability in the region. Among those without a high school diploma, 68% struggle to afford basic needs, as do 55% of those with only a high school diploma. In contrast, just 13% of residents with bachelor's degrees or higher face similar challenges.

These educational patterns show significant racial and ethnic disparities. Among Hispanic or Latino adults 25 years and over, 30% have less than a high school diploma and 29% have no more than a high school diploma, while only 18% hold bachelor's degrees or higher. In contrast, among non-Hispanic White and Asian residents, more than 50% hold bachelor's or graduate degrees, though Asian residents show higher rates of incomplete high school education than White residents (11% vs. 4%).

San José's innovation-driven economy amplifies these disparities, as industries demand advanced skills, especially in occupations on the higher end of the wage scale. Addressing educational gaps and increasing access to skill-building programs will be critical to meeting workforce needs in high-demand fields.

Opportunities and Challenges

San José's position as a global innovation hub is both a strength and a source of vulnerability. The city benefits from a diverse and highly skilled workforce, sectoral strengths in Manufacturing, Professional Services, Information, and Health Care, and a robust culture of innovation evidenced by sustained patent activity and investments in emerging technologies. These assets have enabled San José to adapt through economic transitions and maintain its leadership in cutting-edge fields such as sustainable technologies, green tech, and AI applications.

Yet, alongside these opportunities are significant challenges. Persistent income inequality and racial disparities underscore structural inequities in access to economic opportunity. The city's exceptionally high cost of living creates barriers for workforce retention and discourages new business operations, particularly in sectors with narrower profit margins. Ongoing volatility in the tech sector, marked by substantial layoffs in recent years, further highlights the need for a more balanced and diversified economy. Additionally, the shift toward hybrid and remote work models is reshaping commercial real estate demand, and the utilization of the city's urban spaces.

²³ United Way Bay Area: Real Cost Measure 2023

²⁴ United Way Bay Area: Real Cost Measure 2023