



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Raul Peralez

SUBJECT: SEE BELOW

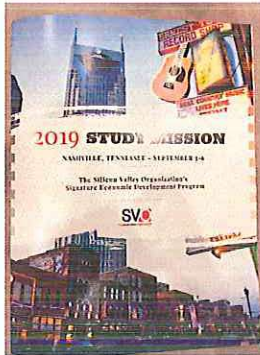
DATE: September 17, 2019

Approved by:

Date:

9/17/2019

**SUBJECT: SILICON VALLEY ORGANIZATION STUDY TRIP TO
NASHVILLE, TN**



From September 3rd - 6th, 2019, the Silicon Valley Organization (SVO) hosted a nearly 80 person San José delegation on their annual study mission trip to Nashville, Tennessee. This study trip focused on Nashville's approach to designing, planning, and managing public spaces in correlation to their booming economic development.-The City of Nashville and Davidson County have a combined government system, with a population of about 1.9 million people and 40,000 businesses within Nashville Metro. With the music industry as the prominent economic driver, Nashville is known as Music City and has a long history of music

weaving into every aspect of life. Nashville is currently experiencing a surge in development, investment and tourism, along with facing new challenges of deteriorating public infrastructure, poor public transportation, minimal revenue sources, and a depleting stock of affordable housing, leaving 30% of Davidson County residents unable to afford the cost of housing. One of the biggest challenges facing Nashville today is the growing animosity between local residents and the incoming surge of new transplant residents, specifically relocating in from the tech sector. The successes and challenges in this city set a great



stage for our San José delegation to learn with a deeper understanding of our mutual issues and lessons we may apply towards improving our own continued economic prosperity.

The 80 San Joséans who participated on this trip, represented all areas of business, including media, government, developers, tech, higher education, legal, financial, and non profit, making this the largest SVO study mission yet. Participating from the City of San José were both senior staff and elected officials. In addition to myself, our City delegates included:

- Mayor Sam Liccardo
- Vice Mayor Chappie Jones
- Councilmember Lan Diep
- Councilmember Pam Foley
- City Manager Dave Sykes
- Director of Aviation John Aitken
- Director of Planning, Building and Code Enforcement Rosalynn Hughey
- Director of Housing Jacky Morales-Ferrand
- Assistant Director of Planning, Building and Code Enforcement Chu Chang
- Assistant Director of Economic Development Nanci Klein
- Deputy Director of Economic Development Chris Burton
- Division Manager of Public Works Ryan Do
- Downtown Manager Blage Zelalich

September 3rd

On this day, most of the delegation arrived and we were welcomed into Nashville in appropriate fashion with live music. Immediately after deboarding the plane at the Nashville International Airport, musicians were performing at several restaurants throughout the terminals. Upon arrival to the Hutton Hotel, where our home base was for the week, we were fortunate that on this particular evening they were using their performance space to host a



filming of a country music show featuring up and coming artists. Our delegation was able to enjoy a welcome reception to get to know one another, while listening to great music. Live music can actually be experienced everywhere, as thousands of musicians flock to Nashville every year in hopes of launching or furthering their careers, and it creates a vibrant social atmosphere where live performances are common place throughout restaurants, hotels, and public spaces around the city.

September 4th

On our second day, we began with a packed room and welcoming remarks from SVO President & CEO Matt Mahood, SVO Executive Vice President Madison Nguyen, Nashville Area Chamber of Commerce President & CEO Ralph Schulz, and San José City Manager Dave Sykes.



Following the welcome remarks was the first panel titled: Nashville 101 - What's Hot and What's Happening: Economic Development in Downtown. The panel was moderated by SVO President & CEO Matt Mahood, and consisted of speakers Ralph Schulz, President & CEO Nashville Area Chamber of Commerce, Butch Spyridon, President & CEO Nashville Convention & Visitors Corporation, and Tom Turner, President & CEO Downtown Partnership. The discussion centered on the recent boom in development throughout

Nashville. There is currently \$4.2 billion in developments happening with 27 developments citywide and 17 in their downtown. Currently 13,000 residents live downtown and 72,000 employees work there, but an average of 100 new residents move into Davidson County every day. This influx is due in part to the fact that Nashville's quality of life and creative culture is attracting thousands of millennials, but the development boom is largely the result of Nashville's Mayor's office and his partnership with the Nashville Area Chamber of Commerce offering competitive incentives for businesses that expand or relocate within Davidson County. The biggest example came earlier this year when the 40 member consolidated council approved a controversial \$17.5 million incentive package for Amazon to bring 5,000 new jobs into their downtown.

Nashville's downtown area has two different Property Based Improvement Districts (PBID) which have largely helped support the growth in the downtown area, but outside of these PBID funding sources the public infrastructure is visibly deteriorating due to a lack of other resources or public tax dollars. There are no impact fees, no environmental review on new development, and city permitting is essentially a transactional process with limited code enforcement authority, which has amounted to a short 90 day process to receive a building permit. Tennessee is also a Right to Work State (prohibiting union agreements) that adopts the Federal minimum wage of \$7.25 per hour.



Therefore, with incentive packages, this makes for a very favorable environment for developers but a very unfavorable environment for a city that is desperate to improve its public infrastructure. Additionally, this also creates an inequitable environment for the local community that is directly feeling the impact of this growth and not feeling the rewards.

The next panel consisted of a brief conversation between Mayor Sam Liccardo and Nashville Mayor David Briley. Mayor Briley is the eight mayor of the Metropolitan Government of Nashville and Davidson County, having been sworn in as Mayor on March 6, 2018 and elected as Mayor on May 24, 2018. Those are not typos. Mayor Briley was sworn in two months prior to being elected because of an unexpected resignation and criminal case against his predecessor Mayor Megan Barry. Mayor Briley volunteered and lived in Latin America where he became fluent in Spanish and he is the grandson of Beverly Briley, the first mayor of the Metropolitan Government of Nashville and Davidson County. They have a consolidated government between Nashville and Davidson County, with a strong mayor and 40 councilmembers. They need 21 votes to adopt a budget and for the first time ever, this year the council failed to act on adopting their amended budget and Mayor Briley's budget became the law. Councilmembers serve a max of two four year terms. Currently, the make up of the council are two foreign born council members, two LGBTQ members, as well as 40% are female and 25% African American.

Currently, Mayor Briley is at the end of a contentious reelection campaign and last week lost by 69.1% to 30.2%. He described some of the unique political circumstances in Nashville and some of the discontent being expressed in the current election. Nashville is a progressive Blue dot in the middle of a Red State, without an environmental review like CEQA (California Environmental Quality Act), and a developer can regularly get a building permit in about 90 days. Admittedly, he stated that many local residents are looking at the development and asking "what's in it for me?" Neighbors are feeling left behind and as though they aren't getting enough investment throughout the city with too much of a focus downtown. They had a big loss recently at the ballot with over 64% of the voters saying no to a tax that would have funded a major public transportation plan, and the Mayor admits teachers and police officers are still underpaid throughout the County. Even with the admittance of community concerns, and knowing his reelection was in jeopardy, Mayor Briley doubled down on his commitment to supporting Nashville's development incentives and described how even with incentives the city still nets a profit through property taxes in the long run.

Following this conversation was a panel titled: Affordable Housing and Homelessness. The panel was moderated by San José Councilmember Pam Foley and consisted of Matt Wiltshire, Chief Strategy & Intergovernmental Affairs Officer with the Metropolitan Development & Housing Agency, Eddie Latimer, CEO of Affordable Housing Resources, and Judith Tackett, Director of the Homeless Impact Division of Metro Social Services in Nashville. The City of Nashville does not face the same housing crisis that San José is facing, however, they appear to be heading towards one. Since the year 2000,

Nashville has lost more than 20% of its affordable housing stock, 30% of Davidson County residents are unable to afford the cost of housing, and 14% of their population lives in poverty. The average rent for a two bedroom apartment is \$1,604 and median home price is \$320,000, both of which have doubled over the last nine years. Compared to costs in San José these dollar amounts might appear low, but considering the \$7.25 minimum wage and the median annual household income of \$75,000 in Nashville, it's understood why they are beginning to feel the impacts. Even with all the new development, the majority of it is focused on commercial and hotel, with less than 30% slated for housing and only 600 units of affordable housing county wide.

The most recent homeless count is 2,000 countywide, this is down from about 2,300 two years prior. Unlike San José they do not have many unsheltered homeless and in fact they have sufficient and regular available shelter beds. It was clearly visible that the downtown and surrounding neighborhoods were not overwhelmed by their unhoused population. Throughout the three days I believe I saw only a handful of homeless residents concentrated throughout the downtown. In May of this year Mayor Briley announced his plan entitled "Under One Roof 2029", dedicated to building \$750 million worth of affordable housing by 2029. The plan was well received but it's unclear what will happen now that the Mayor did not win reelection. It was recognized that their city needs more resources, but they haven't had much success. Recently, Nashville passed an inclusionary zoning policy, but the State preempted them and would not allow it. Tennessee, a property rights state, has opposed and denied any opportunities for affordable housing, such as rent control or inclusionary requirements, due to the state's interference.

Our last speaker was Betsy Williams, the past Chair & Member of the District of Nashville Executive Board. Betsy spoke to us about the history of the District of Nashville and how the growth in the downtown has been a welcoming change but how longtime small businesses (even her own candy shop) are seeing themselves in jeopardy of being gentrified and forced out.



Lunch was located in the Downtown Sporting Club, in the heart of the booming downtown district and in a location once known as the heart of the Red Light District with x-rated cinemas, pornography and sex shops. Now, one of the most vibrant and exclusive Nashville characteristics is seen throughout the downtown, where live music performances is in almost every venue. From hotel lobbies to every single bar and restaurant (from what I seen) all had one if not multiple stages for live performances. Historically known for its honky tonk bars, Nashville has only two remaining traditional honk bars, and it has dozens of new bars owned by well known artists of today like Jason Aldean, Kid Rock, and Luke Bryan. Whether day or night the vibrancy of their

downtown could be heard from afar and it was not hard to see why Nashville is not only a prominent attractive destination but also the new number one destination for bachelorette parties (which was brought up many times on the trip, and seen as both a benefit and a burden by locals). We wrapped up our first day with a tremendous tour of the Country Music Hall of Fame, located just blocks away from the downtown, and following we were unleashed to enjoy the area.



September 5th

On Thursday, we began with a panel discussion titled: Land Use and Development Review. The panel was moderated by Rosalynn Hughey, San José Director of Planning Building & Code Enforcement, and consisted of Bert Mathews, Partner at Colliers International, Lucy Kempf, City of Nashville Planning Director, and Jennifer Carlat, Chief Policy Officer with the Nashville Area Chamber of Commerce. The most notable takeaway from this panel was that by having an integrated government land use and planning is much more efficient. Unlike the disjointed general plans that exist in each city throughout Santa Clara County, Nashville and Davidson County has the ability to plan



cohesively and more equitably throughout the entire region. Their planning department is also funded through general obligation bonds and not reliant on fees. Similarly to San José, Nashville's Planning Department has a big staff turn over problem, although their loss is to private firms versus other cities. They have focused on professional development, cross training and support services, yet they still haven't found the exact solution. Even with more efficient ability, it's still not a given that development will happen equitably and indeed the biggest

constraint is the lack of resources from fees and taxes. Lucy Kempf, Nashville's Planning Director noted that although their development process is quick, it is not without challenges. Specifically, their lack of impact fees has kept them from being able to address public infrastructure needs throughout the city, thus leading to a lot of this community frustration.

One of the struggles that stood out, is their plan for enhancing public transportation regionally. An enhancement plan that was strongly supported by the elected officials, unfortunately, did not convince local voters of the benefit and it failed at the ballot box.

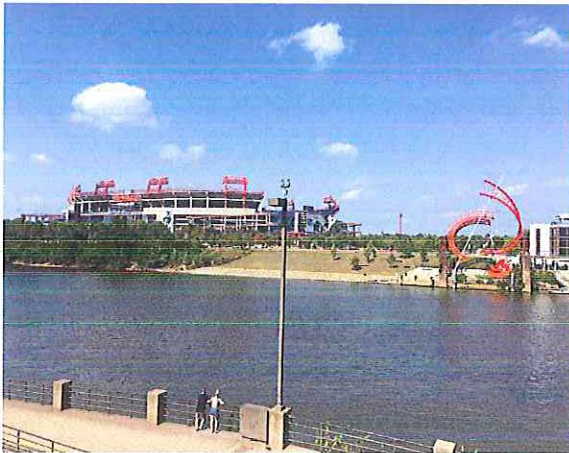
This has left local officials scratching their heads on what to do next. Nashville is currently the largest city in the United States without a dedicated revenue source for their public transportation agency, and it's lack of is apparent. Along with Nashville's transportation plan, they also have a bike plan, but unlike the transportation plan they actually have the money to produce the bike lanes, what they don't have is the community support. Jennifer Carlat, Nashville Chamber's Chief Policy Officer admitted that the City was ill prepared for the amount of growth in their public infrastructure and having enough community support. Bike lanes have become a symbol of gentrification and they have been rejected by locals, most aggressively in the downtown core. Pavement and sidewalks were visibly deteriorating and bike lanes were almost nonexistent.

Another issue that was apparent is the large number of short term rentals, such as Airbnb, that have sprung up in the last few years, taking available housing off the market and creating de facto transient neighborhoods. The City was unprepared for this influx and is now scrambling to draft policies to address it. Times are so contentious that recent polling showed 50-60% of residents think that Nashville is not on the right path.

The next panel discussion was titled: Placemaking, Arts & Entertainment. The panel was moderated by San José's Downtown Manager Blage Zelalich, and consisted of Brian Moyer, President & CEO of the Greater Nashville Technology Council, Erik Hoke, Design Director at the Nashville Civic Design Center, and Courtney Ross, Chief Economic Development Officer for the Nashville Area Chamber of Commerce. The most alarming take away from this panel was how differently these



three organizations looked at placemaking and I heard two opposing views. The Chamber representative felt it was important to make Nashville attractive to talented individuals who are moving into Nashville, with the thought that in order to attract new tech tenants they have to attract the talent first, because the tech jobs of today are following the workforce, rather than the opposite. The Civic Design Center representative's position is that they should use local community members and artist to create a sense of identity throughout the different neighborhoods. Fortunately, if both of these organizations succeed then they might be able to equitably serve their local community and future new residents.



Much like San José, Nashville has a river running along its downtown, and it is also underutilized and development has historically turned its back to it. They have had a plan since the year 2000 to activate the riverfront and the biggest investment came the year before with the development of Nissan Stadium where the NFL Tennessee Titans play. Unfortunately, since then they have yet to achieve drastic improvements. On the other hand, their convention center - Music City Center, completed in 2013, has been a tremendous

benefit to the downtown and has spurred more growth and development surrounding it.

Our last panel for the day was titled: Education and Workforce Development. The panel was moderated by SVO Director of Government & Community Relations Eddie Truong and consisted of Dr. William (Terry) Brown, Vice President for Academic & Student Success at Nashville State Community College, Laura Ward, Vice President of Talent Development for the Nashville Area Chamber of Commerce, and Bob Obrohta, Executive Director of the Tennessee College Access & Success Network. Since 2014 Tennessee Promise has been offering free community college to all Tennessee high school graduates, regardless of their income. However, one of the most interesting topics discussed was how there are still many barriers for low income students. Nashville Chamber polled 8,500 residents to determine hurdles to attending college or workforce development programs. The poll revealed that even with free tuition, the cost of going to college is still a barrier for low income families, with childcare, transportation, and books being the biggest. One out of eight residents are living in poverty and systemic barriers like a lack of access to information, food, and social capital continue to challenge Tennessee's goals of achieving their Drive to 55, which is the goal of 55% of locals earning their college degree. The biggest challenge they face is ensuring their local workforce can become educated and trained to benefit from the booming job growth. Though they are off to a slow start they recognize this challenge, both their higher education institutions and their Chamber of Commerce are working to implement programs to address this need.



Day three ended with a visit to Martin's Bar-B-Que Joint, which was an absolutely perfect way to spend our final evening in Nashville. It included great food, live music and interactive activities for our delegation to enjoy and dialogue about everything we had just learned.

September 6th



Our final day consisted of a wrap up session led by SVO CEO & President Matt Mahood. The discussion was a great way to debrief and hear from all the participants. The general consensus was that Nashville's development boom is driven by low land costs, a low wage sector, relatively low housing costs, and a tremendous entertainment and music industry. Despite being able to boast about the spur of development, they are abundantly lacking in their public infrastructure. Our delegation saw that Nashville leaders have a clear

understanding of what they want their city to be, but they don't have a clear economic or infrastructure plan on how to achieve it sustainably with community support. The value in their consolidated government was seen in their regional planning. It was agreed upon, that our issues at home are also regional. Therefore, the conclusion was that we need to find creative ways to look at these issues and solve them.

Although their homeless challenges are not equivalent to ours, it was noted that their plan to address homelessness fell short and there weren't any takeaways in this area. It was agreed that downtown San José could really benefit from having more "heads in beds" (residents) and getting our nearly 7,000 already entitled units actually under development could be the boost we need. Additionally, as much as impact fees are not typically desired by developers, the usefulness of having adequate resources was definitely seen as a benefit. Although nearly everyone agreed the 15% alcohol tax was a big surprise, it was clear that it did not stop anyone from partaking in the consumption of it, and that "vice taxes" could potentially be new revenue generators here locally.

Conclusion

The general consensus was we all enjoyed the vibrancy of Music City, but it was a question amongst the delegation of whether or not that was the same kind of activation we wanted for San José. In other words do we want downtown San José to become a tourist destination and predominantly catering to visitors? San José is just beginning our own investment into destination marketing but what was clear after this visit is that before we double down on that investment we should determine if we would even want to become that type of destination.

When it comes to placemaking, housing, growth and development, I believe San José should be planning predominantly for San Joséans before we plan for tourists, and before we focus on attracting new workforce talent, we should prioritize educating and training our own local workforce. Most importantly, I think we should not compare the number of developments or cranes within each city, but to peel the layers back to see what it actually means, both the good and the bad. This study mission helped do just that for our

delegation and I truly appreciated being able to participate in such an information and meaningful opportunity.