

Investing in Community

San José Opportunity Zones

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SAN JOSÉ





San Jose's SoFA District

This package is designed to give you some familiarity with San Jose's Opportunity Zone portfolio and existing community assets. But it's not the best way to understand the possibilities. For that, you'll need to walk the neighborhoods, shop in the community, and talk to neighbors, employers, and community advocates. These Zones include diverse places in terms of real estate and population. They encompass an urban downtown, suburban office parks, heavy manufacturing districts as well as key small business corridors that serve diverse ethnic communities.

San Jose has many community needs that could align with an Opportunity Zone investor's objectives of combining return with impact: Housing (at all affordability levels), jobs (at all skill levels), infrastructure and startup investment, to name a few. The good news is that each of San Jose's Opportunity Zones could satisfy at least some of these. You will find city staff, business and community leaders eager to point out such investment options. Let this package be just a start. Please connect with us to find out more.

San José: The Elevator Pitch



By the Numbers

- The **10th largest** city in America: Population 1M+
- **6 miles**: Planned extension of BART through Downtown San Jose (est. 2026)
- **300**: Days of sunshine
- **53**: Miles of trails (**100 miles** planned) and **200 miles** of on-street bikeways
- **100+** parks
- **18,866**: Homes built since 2012
- **25,000**: Mayor's Housing Production Goal within **5 years** (**10,000** affordable)
- **2,173 homes** under construction in Downtown San Jose
- **40.3**: % foreign-born population
- **55,000**: Jobs in manufacturing sector
- **928,000**: Annual attendees at SJ Convention Center
- **225 daily departures** from the nation's fastest-growing airport
- **33,000**: Students attending San Jose State University



By the Assets

- A diverse **labor force** that's 575,000 strong – from highly skilled tech talent to middle-skilled production workers
- A vibrant **cultural and arts scene** and some of the region's best performing and visual arts venues
- A **world-class health care** system including 5 hospitals and two trauma centers
- A general plan that anticipates **focused growth and density** in key spots across the city
- The region's largest **transit hub** at Diridon Station
- **Can-do city staff** across departments with the desire to get projects done
- A workforce development team, **work2future**, passionate about skill-building, **education** and connecting workers with opportunity



By the Zones

- Selected Zones include the most diverse property types and **development potential** in the region: Industrial, office, residential, urban mixed-use, retail, and even a regional mall and airport
- Numerous **entitled projects**, including affordable housing, office, retail and industrial
- Home to **San Jose State University**, the top talent-supplier to Silicon Valley
- **Small business** and startup ecosystems in place and ready to expand
- Significant infrastructure planned, including two **future BART stations in the Zones**
- Zones are home to a resident population that have significant needs for **jobs**, education, affordable housing and wealth creation

A Roadmap for Success in San José's Opportunity Zones

Site Selection and Due Diligence

Ensuring fewest possible surprises

Equity & Inclusion

Finding ways to employ and involve existing nearby residents in job and housing opportunities

Workforce Development

Integrating training and hiring programs working with work2future, San Jose's workforce development arm

Placemaking

Creating well-designed spaces and buildings that improve the public realm

Community Engagement

Working with neighbors and stakeholders to involve them in project design, programming and objectives

How We Help

Business Assistance

The City has a range of offerings to support business: The **Storefronts Grants Program** provides funding to help shop owners pay for improvements to their spaces. **Special Tenant Improvement** is the City's premiere streamlined permitting path. Our **Foreign Trade Zone** program allows manufacturers to delay, reduce or eliminate foreign duties. The **Business Cooperation Program** provides a use-tax rebate on large, out-of-state equipment/building materials purchases.

Site Selection Due Diligence

Timelines are always important for investment, but especially so under the Opportunity Zone framework. San Jose is a business-friendly city, and city staff stand ready to provide quick-turnaround, high-level **feedback** on zoning, permitting, potential fees and issues, then work with you on a solid timeline to get to the building permit stage.

Workforce Training

Through **work2future**, San Jose provides employers with valuable services to reach and train employees. These include custom **recruitment events**, **on-the-job training**, training-cost **reimbursement**, and state/federal hiring **tax credit assistance**. San Jose Works is the city's premiere **work-experience program for youth** ages 14-24, with 1,000 participating annually.

Small Business Support

Our **Small Business Ally** program provides concierge permitting assistance for entrepreneurs. Meanwhile, **work2future** coordinates **BusinessOwnerSpace**, a consortium of 30 small-business assistance providers who offer free workshops and support for business plans, launches, funding and more.

How We Stack Up



Fastest-growing economy (Brookings)



Fastest-forecast GDP growth for 2019-2035 (Oxford Economics)



#2 for foreign-born residents (LendingTree)



SJSU No. 1 supplier of education, engineering, computer science and business graduates to Silicon Valley companies (SJSU)0



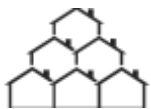
No. 2 city for minority entrepreneurs (LendingTree)

Opportunity Zones Socioeconomic Overview

Geography	Population	Hispanic	Asian	White	Black	Poverty	Per capita Income	Renters	BA or Higher	No degree
US	325,719,178	18%	6%	61%	12%	13%	\$32,397	36%	32%	12%
California	39,539,653	39%	14%	4%	5%	13%	\$35,046	45%	34%	17%
Santa Clara County	1,911,226	26%	35%	33%	2%	9%	\$48,989	43%	50%	12%
San Jose	1,023,031	32%	35%	26%	3%	10%	\$40,275	43%	41%	16%
SJ O-Zones	49,162	47%	28%	17%	4%	19%	\$30,151	67%	30%	27%

Opportunity Zones (and adjacent neighborhoods) include areas with **high social and economic needs**, including access to living-wage jobs, attainable housing, food and grocery, parks and open space, and health and wellness resources.

San Jose has a number of strategies it is using to increase its supply of affordable housing stock while safeguarding tenants in existing rent-stabilized homes. These include:



Affordable housing requirements on new market-rate homes



Apartment Rent Ordinance: Administer allowable annual rent increases for rent-controlled units



Tenant Protection Ordinance: 13 "Just Cause" noticing requirement for an eviction



Ellis Act Ordinance: Requires proper noticing and possible relocation assistance, re-control, right to return, and replacement of affordable units

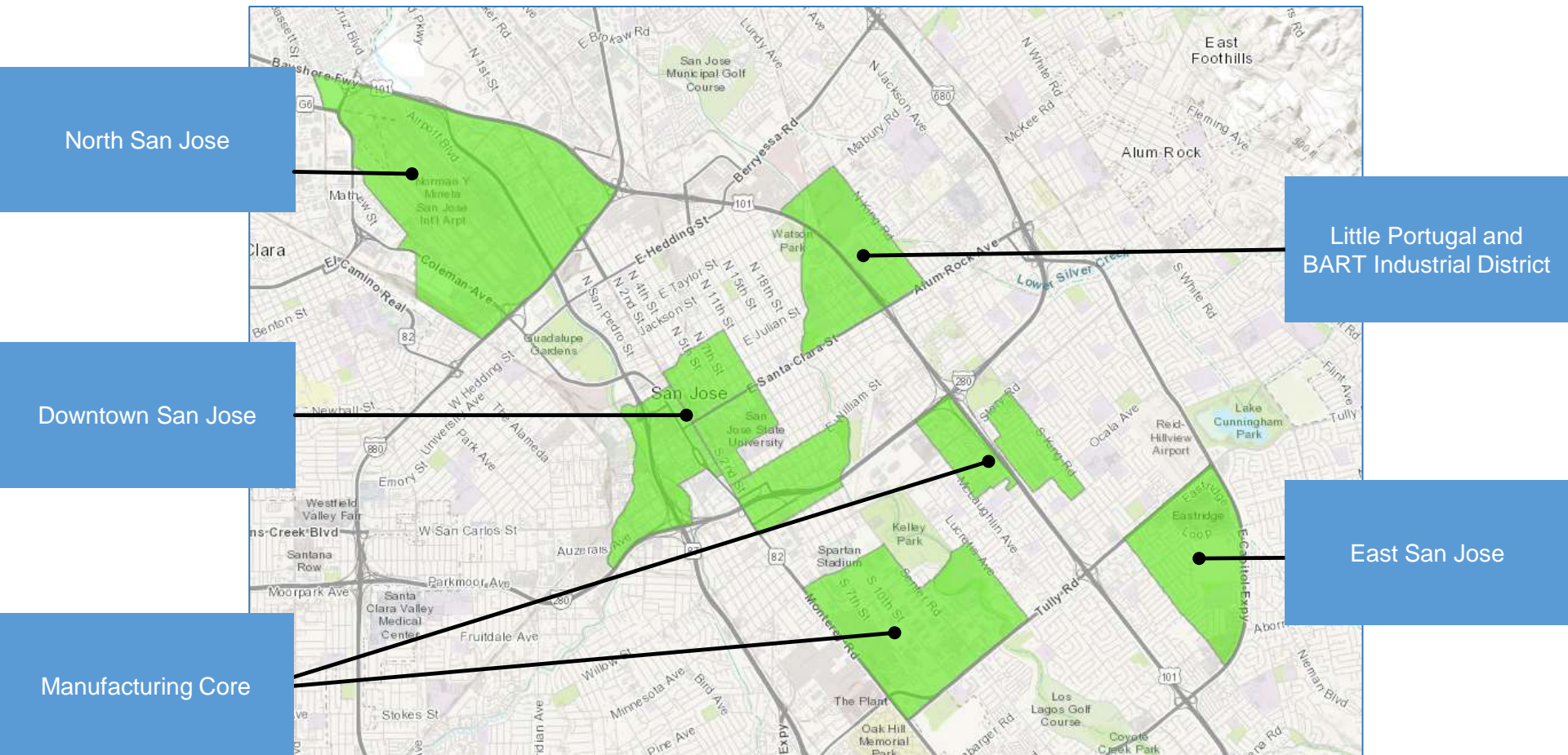


Streamlined permitting for ADUs and affordable projects



Mobilehome Rent Ordinance: Limits annual rent increases and a minimum/ maximum for rent controlled spaces.

San José's Zones in Context



San José received 11 Opportunity Zone Census tracts, in roughly five main clusters. These categories are broad: Within them are many fine-grained neighborhoods to explore. The following pages detail selected anchor institutions and provide potential investment opportunities, but the list is by no means complete. For a fuller conversation, please contact us to walk you through San José's potential.

Downtown San José

San Jose's Downtown Opportunity Zone cluster incorporates much of the city's urban core, plus small-business corridors, civic institutions, a major public university and the city's main arts district – SoFA. This is where Silicon Valley's transit system comes together, connecting regional and transit systems and – soon – BART. That's a big reason why the city's planning framework was recently updated to allow more than 4,000 additional homes and millions of square feet of additional office capacity. While Downtown has attracted new investment interest in recent years, there are still significant unmet needs in terms of community amenities, retail, employment opportunities, and housing at all income levels.

Tracts: 5008, 5010, 5009.01, 5016



Anchor Institutions

1. Diridon Station
2. City Hall
3. Future BART station
4. St. James Park
5. SoFA Arts District
6. San Jose State University
7. Guadalupe River Park/Little Italy
8. McEnery Convention Center
9. Gardner Community Health
10. VTA transit center, SPUR SJ
11. Martha Gardens neighborhood
12. Discovery Meadow/Children's Discovery Museum
13. SAP Center

Cultural Institutions Not Shown

- SJ Museum of Art
- Tech Museum of Innovation
- Cathedral Basilica of St. Joseph
- MACLA
- SJ Museum of Quilts & Textiles
- Institute of Contemporary Arts

Downtown San José Cluster: The Opportunities



Reposition underused properties

San Jose is the oldest incorporated city on the West Coast (and was the state's first capital!), so it's no surprise that Downtown is home to fabulous historic properties. However, decades of underinvestment left many unique and historically significant buildings in need to renovation and repositioning – many of them presenting vacant faces to the street on key business and pedestrian corridors.

The Opportunity

Acquire and reposition historic and under-used office buildings for new tenants and community uses. The City's development team stands ready to assist with your predevelopment needs as you embark on due diligence. For historic properties, the Mills Act could provide additional tax benefits for developers who restore and preserve these historic gems.



Partner on near-term development projects

With the most flexible zoning in the city and progressive density allowances, Downtown has attracted strong entitlement activity since the Great Recession. A number of these projects are either fully approved or past significant planning milestones: Downtown's pipeline currently includes 3,451 homes approved but not under construction and more under planning review. Given the success of the Convention Center and business travel, there is also significant demand for additional hotels in the area. And with no new office completed since 2009, there is pent-up demand for workspace as well.

The Opportunity

Partner with an existing developer or property owner to quickly move forward on a mixed-use project ranging from moderate-sized flats to a 21-story apartment tower. A downtown entitlement map is at <https://bit.ly/2UAW7ah>



Create a small-business investment fund

San Jose is full of entrepreneurs with a great product, whether it's an amazing cookie, T-shirt brand or robot. Take **San Jose Moment**, a retail incubator inside a City-owned parking garage (above). Startup retailers rotate every few months to gain exposure and hone their business offerings. Other parts of Downtown – such as Santa Clara Street and South First Street – are perfect for up-and-coming small businesses thanks to population density, demographic diversity and unique building stock. Downtown also has a robust network of incubators and coworking spaces supporting entrepreneurs and startups.

The Opportunity

Develop an operating-business fund that provides growth capital to entrepreneurs building their business in Downtown San Jose. This could be combined with a physical space for startups to grow.

Five Wounds/Little Portugal and South of BART Industrial District

These two Zones represent a key crossroads for San Jose, with two future BART stations on the horizon. They contain important small-business districts and community gathering spaces that serve this area's diverse community, including significant Latino and Portuguese constituencies. There are also portions of the Five Wounds, Roosevelt Park and Alum Rock Urban Villages, which outline goals for new residential, commercial, and public spaces. Two affordable housing projects are also in planning. The industrial area just south of the Berryessa BART station has potential additional employment capacity. It is also home to **Prospect Silicon Valley**, a nonprofit clean-tech innovation hub focused on advanced mobility and energy. *Tracts: 5014.01, 5036.01*



Selected Anchor Institutions

1. Five Wounds Portuguese National Parish and Cristo Rey San Jose Jesuit High
2. Future BART station site
3. Future 81-home affordable housing (First Community)
4. County Multi-Services Center
5. San Jose High
6. Roosevelt Community Center
7. Kellogg Eggo factory
8. Little Portugal neighborhood business district
9. Future 71-unit affordable housing (RCD) & Somos Mayfair HQ
12. Therma
13. Prospect SV
14. South of Berryessa BART industrial cluster
15. Berryessa BART station (opening late 2019)
16. SJ Flea Market & future development site

Resources:

- San Jose Urban Approved Village Plans:
<http://sanjoseca.gov/index.aspx?NID=4032>
- Friends of Five Wounds Trail
<https://fivewoundstrail.org/>
- CommUniverCity SJSU Community Planning:
<http://cucs.org/community-planning/>
- East Santa Clara Street Assessment (May 2010):
<http://www.sjsu.edu/urbanplanning/docs/EastSantaClaraStreetReport.pdf>
- Five Wounds/Brookwood Terrace BART Station Area Community Concept Plan
http://cucs.org/wp-content/uploads/2015/09/FWBT_BART_CONCEPT_PLAN.pdf

Five Wounds/Little Portugal and BART Industrial District



Support community-based small and local businesses on key corridors

East Santa Clara Street, Alum Rock, Julian Street and McKee Road form vital small-business corridors in these two Opportunity Zones, with many locally owned shops, offices and great restaurants. Investment in this area should aim to help these businesses remain, grow and thrive.

The Opportunity

Invest in existing businesses seeking to grow, and startup businesses just getting off the ground in these Zones. Consider catalyzing investments such as a commercial kitchens or market halls to serve the need of local entrepreneurs.

Reposition or redevelop commercial sites

Key underused sites (such as the vacated Mexico Theatre, above) could be repositioned for new commercial uses, including market halls, grocery stores, event spaces, retail shops and offices. High population density, traffic and walkability make this a strong commercial trade area. The area also includes several Urban Village plans that facilitate new mixed-use and commercial development that aligns with the community's vision (see Resources on previous page). In time, a new BART station will be located at the existing industrial cluster on 28th Street, and the VTA will seek a joint-development partner to redevelop the site. An extensive community-input process has produced a vision for the neighborhood that includes a mix of housing, commercial and public spaces.

Berryessa BART industrial district intensification

BART's first San Jose station poised to open in roughly a year, just steps from a viable industrial district located in an Opportunity Zone. The station will provide immediate access to East Bay labor force, and will eventually connect to the Five Wounds BART station and Downtown San Jose. With the opening of BART, the region has the opportunity to capture a greater number of jobs while decreasing the impact on already overtaxed roadways.

The Opportunity

Explore the potential redevelopment or repositioning of existing industrial buildings into denser employment centers using San Jose's progressive floor-area-ratio allowances for industrial districts.

San José's Manufacturing Core

San Jose's Opportunity Zone portfolio includes three tracts with strong industrial potential. These include two in close proximity. Tract 5031.22, below, is part of a large industrial district with a strong building base for warehouse, distribution, production, and testing uses. Tract 5031.10, bottom, is a smaller geography but also dominated by strong industrial uses. Existing occupiers in the area include defense, trucking, food production, warehouse, construction materials and manufacturing.

Selected Anchors

- | | |
|--------------------------------------|-----------------------------------|
| 1. Sharks Ice | 15. Bassian Farms |
| 2. San Jose Giants Stadium | 16. UPS |
| 3. Yerba Buena High | 17. County Fairgrounds |
| 4. Shirakawa Elementary | Parking |
| 5. City Central Service Yard | 18. Sunbasket |
| 6. County Social Services | 19. 224,000 SF approved |
| 7. Downtown College Prep | industrial building |
| 8. Sun Garden Shopping Center | 20. Tropicana shopping center |
| 9. Monterey Road Commercial Corridor | |
| 10. Hermitage Brewing | Just outside of Opp Zone ★ |
| 11. Costco | • CEFCU Stadium |
| 12. San Jose Distribution | • Happy Hollow Park and Zoo |
| 13. VTA Chaboya Bus Yard | • Kelly Park |
| 14. J. Lohr Winery/Strike Brewing | • Japanese Friendship Garden |
| | • Viet Museum |
| | • History Park |



San José's Manufacturing Core: The Opportunities



Locate manufacturing businesses in the Zone

Manufacturing anchors such as BenteK (solar), Cortec (sheet metal) and Keystone Coffee and SunBasket (food) all call this area home. In addition, major logistics operations are located here such as 3PL company San Jose Distribution (which is the city's original Foreign Trade Zone). Light and heavy industrial zoning allows for flexible uses, and the area is rail-served.

The Opportunity

The City of San Jose stands ready to assist manufacturers relocating or expanding into the Zones with services such as On-The-Job-Training (which reimburses employers for training new hires), customized workforce education, and our Special Tenant Improvement/Industrial Tool Installation program to ensure building timelines are met.



Redevelop low-intensity properties for new commercial uses

The main Zone in this cluster includes dozens of industrial businesses, but there are still vacant parcels, underused parking lots and low-intensity commercial uses, such as the motel above. The area is also a rare light and heavy industrial-zoned pocket in the center of a large metropolitan area with access to major population centers. Such uses are becoming increasingly difficult to find in the core of Silicon Valley.

The Opportunity

Partner with landowners to assemble sites for redevelopment for new, jobs-supporting uses (such as manufacturing, distribution, and commercial along Monterey Road). One potential target is a build-to-suit for a 365,000 SF manufacturing building at 1605 S. 7th St.

Meet market demand for a wholesale food center and food incubator

In 2018, Sustainable Agriculture Education (SAGE) released two important studies. The San Jose **Wholesale Food Center Development Prospectus** describes the need for a facility to serve co-located food wholesalers, processors, and specialty food producers, while improving agricultural vitality and economic health. The San Jose **Food Business Incubator Needs Assessment** evaluates needs of small-scale food entrepreneurs for resources including facilities, technical assistance, financial assistance, and regulatory assistance. With only 3 commercial kitchens in San Jose, 67% of entrepreneurs surveyed cited facilities as their most pressing need.

The Opportunity

The City-commissioned studies found market demand and viable business models for a wholesale food center and commercial kitchen facilities. The wholesale food center study even includes a sample pro forma outlining a potential project. SAGE and the City stand ready to assist an interested investor, developer or user with analyzing next steps. Info: <https://bit.ly/2DBFqRC>

North San José

Dominated by Mineta San Jose International Airport, this large Zone is the gateway to both Downtown, North San Jose and the rest of Silicon Valley. In terms of building base, the Zone is multifaceted: Midrise office, low-intensity motels, airport parking, industrial, big-box retail and even a major-league soccer stadium all coexist. Its transportation network is unsurpassed, with great freeway access, light rail and proximity to world-class air service. As a market for office tenants, the area includes one of the city's largest submarkets for multitenant Class A office space outside of downtown, and the area's zoned for significant additional capacity of both office/R&D and residential. *Tract: 5051*



Anchors

1. Mineta San Jose International Airport
2. Airport Office Submarket
3. Avaya Earthquakes Soccer Stadium/Coleman Highline
4. Lowe's (recently closed)
5. North First light rail corridor
6. Kaiser Permanente
7. Airport-area motel district
8. Industrial pocket
9. Bay 101
10. Casino M8trix

Resources:

- North San Jose Retail and Amenities Study: <https://bit.ly/2RwUZxJ>
- Daniel Rose Center North San Jose Study: <https://bit.ly/2BgNP1w>
- North San Jose Development Policy: <http://www.sanjoseca.gov/index.aspx?NID=1744>

North San José



Mixed-use and mixed-affordability housing on underused parcels

Parcels in this Opportunity Zone include low-intensity uses such as airport parking, low-lot-coverage hotels and office that may be appropriate for redevelopment into mixed-use housing with a significant affordable-home requirement. These locations benefit from excellent transit access and proximity to jobs, allowing the potential for reduced parking ratios and a truly car-free lifestyle.

The Opportunity

The North San Jose Area Development Policy allows up to 32,000 homes to be built in phases, and staff is currently working on updates to allow the next phase of units to be released.



Explore office and hotel development opportunities

Several in-place entitlements are available in this Opportunity Zone, including Bay 101 Technology Place (above) with fully approved office and hotel components. The Zone's position on three major freeways (Highway 101, Highway 87 and I-880) – plus transit via VTA light rail – make this a premiere Zone for tenants or investors focused on mid-rise, corporate campus-type office. In addition, tenants focused on O-Zone investment will find plenty of expansion space for future growth. The hotel components benefit from proximity to jobs and the growing airport.

Beyond existing entitlements, a number of existing hotels show potential for additional hotel expansion on underused parking lots.



Invest in new startups such as Foodspace + Co

Few Opportunity Zones have the diversity of building stock as this one. The area recently lured Foodspace + Co., a food incubator, commercial kitchen and food-truck commissary startup founded by industry experts Joe Schumacher.

The Opportunity

Located at 1302 North Fourth Street, Foodspace has plans a state-of-the-art commercial kitchen facility, along with desperately needed food-truck commissary facilities and parking. Advisory services and ancillary office space will also be included to create an all-in-one food hub unlike any other in the region. The business benefits from a location that offers easy freeway access to the rest of the area and flexible building stock to allow the mix of industrial and commercial uses.

East San Jose

This Opportunity Zone on San Jose's Eastside is dominated by retail, notably Eastridge Mall – a Sears/Macy's/JC Penney-anchored center that is a central gathering place for the entire region. Because of the adjacent county airport and in-place planning framework, ground-up development (beyond current entitlements) is challenging, but the area is a fantastic place for business-focused investors, especially for food-related businesses; potential creative repositioning of future big-box vacancies may also be worth exploring. *Tract: 5033.05*



Anchors

1. Eastridge Center
2. Sears
3. Macy's
4. JC Penney
5. Eastridge rapid transit center (with future light rail connection planned to Milpitas BART)
6. Reed-Hillview Airport
7. Lion supermarket center
8. Tully Corner FookMaxx center
9. Michael's center
10. Industrial pocket
11. Softball park
12. Evergreen Circle commercial center (planned)
13. 250-home project (planned)
14. Ross/Office Depot center
15. Silver Creek Plaza
16. Meadowfair Park/LeyVa Middle School

Resources:

- Evergreen-East Hills Development Policy:
<http://www.sanjoseca.gov/index.aspx?NID=1748>
- Reid-Hillview Airport Business Plan Update:
<https://www.sccgov.org/sites/air/resources/Pages/Business-Plan.aspx>

East San José



Explore potential improvements to existing commercial centers

With the exception of a small industrial-condo complex, this Opportunity Zone's commercial landscape is primarily retail in orientation. Vacancy rates are low, but there remain opportunities to improve existing properties. Eastridge, a regional mall, recently completed a \$15 million renovation, but there may be additional opportunities on the site to reposition anchor spaces such as the Sears, above. Current planning policies and airport flight-path restrictions substantially restricts new, ground-up development; however, city staff is happy to discuss possibilities with interested investors.



Partner on a major new retail development

In built-out Silicon Valley, there are few to none large-scale unbuilt retail sites. While retail continues to evolve, there remains demand for vibrant commercial spaces oriented toward food and experiences.

The Opportunity

On the heels of Eastridge's recent overhaul, the next play is Evergreen Circle. This rare, fully entitled 405,000-square-foot project takes advantage of good regional transportation connections and a strong and diverse trade area. It is also horizontally mixed-use, with an attached 250-home development next door as well as a 14-acre city softball park (now under construction) that will help drive traffic to the commercial center, especially on weekends.



Invest in Eastside entrepreneurs

East San Jose is an international food Mecca, reflecting the ethnic diversity in the neighborhood. With a regional mall and at least a half dozen significant retail centers, this Opportunity Zone could be a perfect place to incubate startup food entrepreneurs and other small business owners.

The Opportunity

Numerous existing retail centers provide the a building base for startups to land. As retail shifts, an Opportunity Fund could look to reposition an existing big-box store into something fresh such as a co-located market hall, with plenty of room for Opportunity Fund-invested businesses to grow. A pocket of industrial condos located in this zone also provides options for makers.