



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Chris Burton

SUBJECT: BUSINESS DEVELOPMENT
AND SMALL BUSINESS UPDATE

DATE: January 13, 2020

Approved

Date

RECOMMENDATION

Accept staff's report on services provided by the City and its partners to support the startup, growth, and retention of businesses in San José.

BACKGROUND

Businesses play a key role in ensuring the fiscal, social, and cultural health of nearly all cities. Whether large or small, businesses may provide jobs, generate tax revenue and contribute to a sense of place for a community. In San José, a business ecosystem of roughly 53,000 establishments employs approximately 438,000 people. Businesses are expected to contribute \$258 million to the City just in sales tax alone for FY2019-20, which is equivalent to nearly 20 percent of the City's general fund. Less quantifiable benefits include the activation of neighborhood business corridors, wealth creation within disadvantaged communities, and the pride that comes with hosting a strong commercial enterprise or unique company.

San José's unemployment rate in November of 2019 was just 2.4 percent, which is among the lowest rates in at least 10 years in San José. That equates to about 13,500 unemployed people who are actively looking for work. Five years ago, there were 30,400 unemployed people in San José looking for work, an unemployment rate of 5.8 percent.

San José's largest industries are, in order, manufacturing; government; professional, scientific and technical services (PSTS); health care; and retail trade. Over the last five years, manufacturing added 15,000 jobs, PSTS added 9,500, construction added 6,500, health care added 6,500, and accommodation/food services added 5,000. Retail jobs remained fairly stable.

While the national economy remains strong and the regional economy even stronger, business development requires constant care no matter the economic cycle. That is especially true in San José, which has historically seen weaker business creation and recruitment than its neighbors.

The City’s Office of Economic Development works to boost the business sector through its core service areas of outreach, policy development, targeted business support, development facilitation, and communications.

The chart below illustrates the tremendous range of businesses in San José and their relative share of employment. This complex ecosystem is served by OED’s Business Development Team including 12 full-time employees (four of whom are focused largely on outreach) and 1.5 full-time-equivalent positions in the work2future program working on business outreach, hiring and layoff aversion support.

Firm Size (Full-Time Equivalent)	Firms		Employment	
	No. of firms	Share	Jobs	Share
Self-Employed (1 employee)	35,250	66%	35,250	8%
Small Businesses (2-35 employees)	15,800	30%	121,750	28%
Medium/Large Businesses (36+ Employees)	2,050	4%	281,200	64%
Total Businesses	53,100		438,200	

Source: City of San José, October 2019, California Employment Development Department Q4 2018
 Self-employed firms and employment are based on City of San José business tax directory of active businesses excluding commercial landlords, residential landlords, mobile home parks, and out of town businesses.
 Other employment and firm numbers are from EDD information.

ANALYSIS

The following analysis summarizes the OED Team’s work over FY 2018-19, more recent highlights, as well as key takeaways and trends to inform an assessment of the City’s economic trajectory as it relates to the business community. This memo is broken into the following sections:

1. Outreach Activities
2. Emerging trends
3. Policy work
4. Targeted services
5. Communications
6. Highlighted accomplishments
7. What’s next

1. Outreach Activities

Site Selection Assistance, General Outreach, and Business Attraction/Retention

Business outreach is a core function of the OED Team. The Team holds many meetings with companies which may focus on a business’s recruitment or retention, or staying connected with

an existing company's leadership and operations. In 2018-19, the OED team met with more than 300 businesses, including 93 attraction targets and 156 retention targets, to strategize locations, educate decisionmakers about the City's advantages and services, or learn more about business needs. In addition, staff assisted roughly 70 businesses with permitting or development issues. Because of staff's small size, outreach team members must be strategic in directing resources, so staff seeks to engage with companies seeking new locations or expansion, high revenue generators, and those with strategic importance to the City.

In the fiscal year covered by this memo, San José welcomed several large companies as a result of staff recruitment efforts – though these attractions were usually the result of groundwork laid years earlier. These included Bloom Energy Corp., which moved 440 workers from Sunnyvale to North San José; Micron, which moved 500 from Milpitas to North San José; and Hewlett-Packard Enterprise, which moved roughly 1,000 from Palo Alto to North San José. Staff is currently working with Infinera as that company plans to move 600 employees from Sunnyvale to Edenvale, and with Roku as it builds out a new campus at the Coleman Highline office campus for 1,000 workers.

Staff also celebrated several businesses that remained in the city when faced with an option to leave. These retentions are key for the City's business portfolio because most job creation happens from businesses already located here. During 2018-19, these retentions included Colliers International, which moved closer into the Downtown core; KBM/Hogue, which also stayed Downtown; and The Wood Connection, which was able to rebuild after a devastating fire. More recently, Lumentum (formerly JDS Uniphase) consolidated its San José and Milpitas operations into a new campus on Ridder Park Drive. Several companies also doubled down on San José after extensive facilitation work with staff, including SK Hynix (which acquired a development parcel adjacent to its North San José facility for future expansion) and Broadcom, which fully occupied its new campus in North San José.

Unfortunately, not all businesses can stay in the city, because space options are not available, plans change, or costs rise. One example is 8x8, which announced it would occupy a new San José building in 2017, only to discover that the business was already outgrowing the space before the company had moved in. The company ended up recently relocating to Campbell. For this reason, it is important that the city maintains a robust supply of office spaces of various sizes. Other strategies to retain businesses despite pressures are discussed later in this memo.

International Outreach

International trade and investment foster economic growth in San José and the region. The San José metro's 2018 exports (the most current data available) surpassed \$22.2 billion, ranking 17th nationwide. Several factors have impacted the flow of foreign investment locally: the strength of the U.S. dollar, uncertainty surrounding new and existing bilateral and multilateral trade agreements, and tariffs imposed by the U.S. and other nations.

OED works to facilitate international exchange in several ways. One is basic outreach: In 2018-19, the department's international program manager held meetings with 38 business or

government delegations from across the globe. These meetings are often educational, giving the City an opportunity to educate business and government leaders about our region, economy, talent, and Silicon Valley business culture. In just the last couple months, the OED Team has presented to delegations from Yongin, Korea; Zhejiang, China; Hangzhou, China; and the Vietnam U.S. Association.

Perhaps the City's biggest tool in this area is the Foreign Trade Zone, a federal program managed by OED for San José and the region, which helps to facilitate manufacturing, trade and employment. In 2018, the San José Foreign Trade Zone ranked 18th in exports among the nation's 195 Foreign Trade Zones, and several thousand workers are employed within the FTZ. In 2019, Bloom Energy, now headquartered in San José, gained authority to operate company sites as a Foreign Trade Zone. Bloom Energy joins Space Systems Loral, Lam Research, Tesla, and RK Logistics Group as Foreign Trade Zone operators under the City's Foreign Trade Zone #18. In the past year, OED organized a Foreign Trade Zone business forum, met with several companies, and assisted companies to expand and make changes to their Foreign Trade Zones.

Investor and Developer Outreach

Investor interest in San José was strong in 2018-2019, with \$4.5 billion in non-residential San José commercial real estate changing hands, according to Costar. This compares to roughly \$4 billion in the previous year. These sales can benefit the City in several ways. Property assessments re-set at (usually) higher values, resulting in higher tax receipts. Investors often physically improve existing buildings after acquiring them, keeping them modern and competitive in the marketplace. Investment in development sites may lead to new projects breaking ground, creating new jobs.

During the 2018-19 period, staff worked with more than 50 developers/investors considering San José deals. In some cases, investors are looking for information on City processes and permitting; other times they are seeking to understand the city's economic health to justify a big capital investment. In the last year, investors showed particular interest in well-located hotel development sites, downtown office assets, and select multifamily projects, though many continued to struggle with high construction costs. The latter category will grow as a share of the OED Team's work with the arrival of Jerad Ferguson as the first-ever Housing Catalyst Officer. In addition, as part of the new anti-commercial displacement initiative, staff has also been meeting with bankers and lenders who are focused on the small-business ecosystem (see below, *Policy Work*).

Small Business Outreach

Supporting the creation, growth, and retention of the roughly 50,000 small businesses in San José requires that the City and its small business assistance partners offer valuable services designed to address their current and varied needs. As part of a City-led marketing collaborative called BusinessOwnerSpace.com, the City and its nearly 30 partner organizations regionally provide more than 14,000 small business services annually and monitor ever-changing small business issues. City and partner staff use formal research, focus groups, community meetings

and events, as well as one-on-one conversations to keep up to date. These connections are particularly important in immigrant communities as 51 percent of small businesses are immigrant owned and 30 percent of these self-report that they have limited English skills. Staff works closely with agencies such as AnewAmerica, the Minority Business Development Agency, and the Small Business Development Center that collectively have the technical, linguistic, and cultural competencies necessary to meet the diverse needs of San José small business owners.

2. Trends and ‘What We’re Hearing’

As discussed above, the OED Team pursues and listens for feedback, examples and analysis to assess where the economy is headed, especially at the local level. The following highlights key trends that staff has picked up on in the last year.

Workforce Availability Is Tight

With unemployment at historic lows (2.3% as of 11/2019), businesses large and small are indicating that hiring qualified employees is an ongoing challenge. Preparing the future workforce and retraining existing job seekers will be important to supporting the continued health of the local economy and to ensuring that marginalized communities also benefit from the growing economy. OED’s work2future and San José Works programs serve nearly 3,000 at risk youth and adult clients annually and place a majority of their clients within high wage, high growth occupations related to information technology, advanced manufacturing, health care, construction and business and finance.

Businesses are Committed, But Are Also Growing Elsewhere

The Bay Area’s high cost of living is nothing new; neither are concerns over worker availability, as we approach a second decade of economic expansion. Despite this, companies – especially technology companies – continue to place importance on Silicon Valley presence. Several new businesses have opened new facilities in San José in the last year to be close to local customers, such as Texas-based contract manufacturer Krypton Solutions and global equipment tester Baker-Hughes. Yet anecdotal reports abound of some companies expanding or moving their headquarters elsewhere. For instance, McKesson, Core-Mark and Chubbies all announced plans to relocate headquarters out of San Francisco in the last year. A *San Francisco Business Times* report quantified the number of these “disinvestment events” in Santa Clara County at 24 between 2018 and November 2019. While San José hasn’t recently seen major headquarters move out of the region, staff has spoken with executives who have signaled expansions would accelerate in lower-cost tech hubs, with San José employment holding steady. Increasing housing supply, building labor capacity, and maintaining a business-friendly environment will be key to countering this trend, but none of these factors are short-term projects.

Retail’s Evolution Continues

The year 2019 was a brutal one for the retail industry nationally, with at least 9,300 announced store closures, up 50 percent from 2018, according to industry researcher Coresight. San José continues to fare better than the national average, with a citywide retail vacancy rate of 3.9 percent compared to 4.7 percent for the U.S. But the city has faced exposure to this trend

nonetheless. Sears announced in November it would close its Eastridge Center store – the last in the South Bay – and there remain several empty boxes left over from the closure of Orchard Supply Hardware in 2017. Still, San José welcomed new retailers in the last year that took over stubborn vacancies including Living Spaces at Oakridge Center’s former Sears box and Grocery Outlet at the former Nob Hill in Santa Teresa. A new hardware chain called Outdoor Supply Hardware announced it would backfill the former Orchard Supply at Princeton Plaza. The OED Team is currently in the process of hiring a Retail Development Officer who will focus on supporting the sector during this time of transition.

Hardware, R&D Plays to San José’s Strong Suit

The South Bay continued to see growth from companies that actually build things – such as semiconductors, optical sensors, robots, medical devices or autonomous/electric cars. That’s in contrast to San Francisco and the north Peninsula, where social media reigns supreme. San José examples of new leases include Arlo, the maker of smarthome products; Inphi, which makes semiconductor components; and chip supplier ASML. These companies may or may not manufacture things locally, but they draw strength from the South Bay’s labor market, which tends to be concentrated in hardware-oriented industries, according to labor market data provider EMSI.

New Uses Are Bumping up Against City Zoning Regulations

Staff continued to work with new uses that don’t easily fit into a traditional zoning box, a reflection of new trends in business, technology and culture. These included commercial “ghost kitchens,” a selfie-oriented “museum,” new medspa businesses, self-driving car storage and testing facilities, and others. In most cases, these uses can be interpreted under existing zoning, but require creativity and analysis to understand how they fit in with the City’s land-use regulations and economic development goals.

Costs Are Making Some Projects Infeasible

Construction and development costs have long been a sore point in the pricey Bay Area for commercial development. A [Nov. 5 City study](#) of residential multifamily development costs found that projects were infeasible in most areas of the city because construction costs ate into profits. On the commercial side, staff is aware of several new projects, including hotel and office, that have not been able to move forward because costs moved ahead of rental income beyond expectations, and informal feedback suggests there’s no sign that costs will come down anytime soon.

Concerns about Small Business Displacement Are Rising

Small businesses are less resilient to significant changes occurring around them than more established and larger employers. As the City continues to grow and evolve, some small businesses, particularly those in historically underdeveloped neighborhoods, are facing new pressures of potential displacement resulting from rising costs and current and future development. Many of these small businesses are not well prepared for change, and have limited or no access to legal support or relocation resources which could help them in the event of a sudden eviction. The City has just developed a pilot program in the Alum Rock corridor which

launched in November 2019 to support vulnerable small businesses, the majority of whom are owned by immigrants or people of color, and retain them in neighborhoods where they are rooted. Services provided under this pilot include business planning, legal, real estate, and financial support.

Companies are struggling with City permitting timelines

Companies seeking to move into new spaces throughout the Bay Area are often surprised by lengthy timelines for planning, building and inspection milestones. In San José, low staffing in key departments as well as high workload have put many companies' schedules under pressure. The OED Team is attempting to assist applicants in understanding current timelines so that companies can better plan and meet occupancy goals.

3. Policy Work

In addition to business outreach, the OED Team advances the City's goals through the analysis and development of strategies, programs, and policies in support of economic development. Some of the major policy work areas are included below.

Commercial Linkage Fee

In March, the City Council directed staff to study a potential commercial linkage fee that could be assessed on new commercial projects to fund affordable housing. Staff has hired Keyser Marston Associates to work on a nexus study and a feasibility study. The nexus study will look at the legal basis for the fee while the feasibility study will examine potential impact of the fee on feasibility of commercial development. Staff expects to forward a recommendation to Council in April.

North San José

Staff has been working since 2018 on updates to the North San José Policy that would allow the resumption of homebuilding in the 5,700-acre district. This outcome is key to achieving the City's goals of creating a world-class live-work-play neighborhood, but it's been on hold due to limitations set by the existing Policy and difficulties in negotiating revisions to the existing Settlement Agreement with the City of Santa Clara. Staff is currently researching how changes to state housing law could be used to facilitate new homebuilding once again and provided an update at the December 10 Council meeting.

Monterey Corridor

Stretching from Downtown to South San José, the Monterey Road Corridor is one of the city's key industrial employment areas, as well as a vibrant commercial street with a mix of retail uses. For the last year, staff has been providing support for the Monterey Corridor Working Group, chaired by Councilmember Maya Esparza and Councilmember Sergio Jimenez, to inform the group's recommendations related to maintaining and improving the area's economic success. Staff looks forward to further engagement in this area in the year ahead.

Small Business Support Strategy

To address the volume and diverse needs of tens of thousands of small businesses in San José, the City has adopted a strategy focused on listening, collaborating, technologically scaling, and carefully targeting direct services. Building on a City-led network of nearly 30 small business assistance organizations which offer comprehensive free and low-cost services and cross-referrals, the City's BusinessOwnerSpace.com website and toll-free phone number connect small businesses with the information and help they need. Direct City services include the Small Business Ally program (which provides assistance with the City's permitting process), San José Public Library Works program (which hosts resource, workshop, and a counseling venue), and augmented language support. These programs also help address specific communities such as immigrants.

Other community-specific efforts include support for Veggielution's East Side Grown program and anti-displacement work designed to retain small businesses. With City financial support, Veggielution's entrepreneurship assistance helped dozens of largely immigrant street vendors with limited English proficiency, and focuses on reducing poverty in this vulnerable group. To avoid collapse, many small businesses facing the pressures of rising costs and development need help strengthening their resiliency and will benefit from stronger local anti-displacement assistance resources.

Workforce Development

In part because local and national unemployment rates have achieved historically low levels, many businesses are finding it difficult to recruit qualified employees while at the same time the skills of many job seekers are mismatched with growing industries which pay living wages. The local and bay-peninsula regional plans of the City's work2future program in OED are focused on working with educational and other partners in collaboration with the private sector to address immediate and long-term deficiencies in the labor markets. A main component of these strategies is to focus on career pathways for job seekers in growth sectors including advanced manufacturing, healthcare, construction, information and communication technology, and finance. Plans target specific services to help adults, youth, those in career transitions, and formerly incarcerated individuals be better prepared to address business employment needs.

4. Targeted Services and Support

The City, through the OED Team and internal and external partners, offers several categories of assistance to specific client groups using targeted services or support to address business issues and reinforce policies.

Development and Permitting Facilitation

One of the OED Team's core roles is to provide quick-turnaround guidance on City processes, permitting and development pathways for developers, brokers and businesses. In 2018-19, the Team responded to at least 70 of these inquiries. For instance, the team worked with Cloud Kitchens to investigate the permitting path toward opening a new commercial kitchen in San José, which ultimately led to a \$7.3 million investment downtown. Other significant permitting assistance occurred to facilitate the expansions of Xilinx, SSL, and Grocery Outlet. With the

integration of the Development Facilitation Officer from PBCE to OED in mid-2019, 2019-20 outcomes around development and permitting assistance are expected to evolve and increase.

For smaller businesses, the City offers the Small Business Ally Program, with two staff members, to assist small businesses through the development process. In 2018-19, the Small Business Ally Program assisted 1,100 San José small businesses including 300 relating to permitting or inspection needs. Program services are available in English, Spanish, and Vietnamese.

Manufacturing

OED continued to serve the manufacturing industry in 2018-19, primarily through a partnership with Manufacture: San José, the nonprofit launched with City support in 2018. In coordination with the OED Team, MFG:SJ has produced quarterly Manufacturing Roundtable events, launched a jobs/recruiting tool for San José manufacturing businesses, and spearheaded San José Manufacturing Week tours for 500 high school students this past October. In the year ahead, the OED Team is focused on revamping its outreach strategy for the city's larger manufacturers as the industry experiences new challenges and opportunities. Manufacturing remains the city's No. 1 employment sector with approximately 65,000 jobs.

Servicing Small Businesses Needs

The City and its partners provide a comprehensive array of services to address small business needs and encourage their growth. In addition to the **Small Business Ally** discussed above, and the **Public Works Academy** and **Small Business Anti-Displacement Pilot** covered below, program offerings include:

- **BusinessOwnerSpace.com** – A wide range of thousands of free and low-cost small business services are offered through this City-led collaboration annually.
- **San José Public Library (SJPL) Works** – Small businesses can partake of a variety of workshops and leverage library materials in Spanish and Vietnamese at the MLK Library. The program is well connected with BusinessOwnerSpace.com partners and the OED Team.
- **Small Business Events** – The City provides and works with partners to offer a range of large and small-scale events with workshops focused on topics of interest to small businesses. Examples of City-led events include the 8th Annual Summit on Entrepreneurship and Innovation held at the Mexican Heritage Plaza, the “Doing Business in San José” community-based workshops, while staff also leverage partner events such as the Silicon Valley Hispanic Chamber of Commerce’s Festiv’ALL.
- **Fostering Entrepreneurship Innovation** – The City also explores new approaches like the collaboration with Veggjelution to enhance entrepreneurship among street food vendors.

Procurement

The City continues to support and encourage the active participation of local, small, and disadvantaged businesses in City bids and contracts. Expanding on the City's local preference policy, a 2018 charter amendment now opens more public works projects to small businesses through a simplified bidding process and staff have established a pre-approved list of contractors to lower the effort required to submit bid submission. These changes are being reinforced by a Public Works Academy through which potential contractors can better understand bidding on and fulfilling a contract with the City as well as through a streamlined bonding process.

In addition, to get the word out as widely as possible the City conducts outreach in a variety of ways such as at events (like the December 2019 Diversity Fair at the Santa Clara County Center), through partnerships with minority/ethnic chambers of commerce, and through the use of a new e-mail notification and submission system called Biddingo.

Small Business Anti-Displacement Pilot

Economic growth and development activity can create many benefits, but a potential downside is the loss of small businesses which may experience greater cost or displacement pressures as a neighborhood changes. The OED Team, in collaboration with local businesses, business networks and business associations, is piloting new approaches to support and retain existing local businesses along the East Santa Clara Street and Alum Rock Avenue commercial corridor, an area that is expected to see new development accelerate. The OED Team has established a rapid deployment group of technical assistance providers to deliver free services to impacted businesses and introduced a specialist organization -- Start Small Think Big -- for free legal advice. In addition, OED is working with the Small Business Administration to create a network for retail banks and community development financial institutions to improve access to financial resources. The OED Team is also working closely with VTA to identify all businesses that could be impacted by construction of BART Silicon Valley Phase II. The pilot will test and evaluate these new approaches and staff will return with recommendations to Council with a view to rolling out and scaling up services into other parts of San José.

Employer Assistance

The City's work2future is a federally funded program that works with employers, job-seeking clients, as well as education and other partners to foster workforce development and improve the ability of residents in the greater San José area to meet the needs of businesses. |Work2future supports local employers with services in the areas of hiring, layoffs, and workforce development particularly those in growing industries that will provide long-term, well-paying careers to employees.

- **Hiring** – Employers can receive assistance from work2future and its partners with recruitment through job postings, job fairs, special recruitment events, information about the labor market, on-the-job training and training-cost reimbursement, and state and federal hiring tax credit information.

- **Layoffs/ Outplacement** – Companies facing downturns can work with work2future to avoid or mitigate layoffs. Some approaches include workshare, refinancing, and the sale of the company to others (including employees). When layoffs are unavoidable, the employer can arrange with work2future for impacted employees to receive instruction on accessing unemployment benefits and guidance on subsidized career retraining.
- **Workforce Development** – A key component of work2future’s services is to help residents, many of whom have barriers to employment, be better prepared to compete for positions in growing industries and in-demand positions. Some program examples include industry training that can lead to a credential; quality work experience through the City-funded San José Works program; pre-apprenticeship training for the construction trades, and specialized reentry assistance for formerly incarcerated individuals to pursue employment through a new Prison to Employment program being developed. In addition, the San José Works program annually serves over 1,000 at risk, low-income youth ages 16-29. Many of these youth receive six-week paid internships and are placed in demand sectors/occupations, including those related to information technology, advanced manufacturing, construction, health care, and business and finance.

Storefronts Grants Program

The Storefronts Grants Program, administered by the OED Team, had another popular year in 18-19, as it expanded citywide to provide two kinds of grants: vacant storefront grants reduce permit costs, while existing storefront grants provide reimbursement for fees, permits, and materials, fixtures, signage, etc. In FY2018-19, the program provided 16 grants to recipients citywide including Hapa Musubi, Red Dot Fitness, San José Museum of Textiles and Quilts, Elements Restaurant and Park Station Hashery. In 2019-20, the program and has so far executed nine grants, representing about \$100,000 of the total \$250,000 allocated. Staff is currently working on grants that, if fully executed, would represent another \$100,000 of funding.

Neighborhood Business District Support

The OED Team is working with the Alum Rock Santa Clara Street Business Association on the creation of a new business improvement district which would create a number of organizational and fiscal benefits for members as it does in districts in Japantown, Downtown, and Willow Glen. Also, staff has worked closely with the Mayor’s Office and District 7 staff to support the formation of the Little Saigon Business Association. Place-making efforts also included expanded banner usage to increase district visibility in various business districts. In Downtown, a program to improve signage and wayfinding is well underway, with Phase 1 signage being deployed this spring.

5. Communications

Public Speaking and Events

OED Team staffers are often called upon to speak to business groups and on panels regarding a variety of topics – the economy, development, or specific initiatives. In 2018-19, speaking engagements venues included SPUR, CREW SV, SCORE, CCIM, Bisnow, the Accelerator for

America, Building Industry Association, Silicon Valley Business Journal, California Association of Mortgage Professionals, National Hispanic Organization of Realtors, VTA BART Working Group, the Silicon Valley Organization, and the Small Business Administration among others.

The most recent fiscal year also saw a burst of interest in Opportunity Zones, the federal tax incentive for certain disadvantaged communities. As the city with the most Opportunity Zones in Silicon Valley, San José was in demand for discussions on this topic. In early February, staff hosted a workshop attended by more than 100 investors, nonprofits and other professionals. Staff also presented to numerous brokerage houses during the year to inform this key business group about the City's goals and expectations under the General Plan.

Marketing, Media and Branding

The OED Team communicates to various audiences through news media engagement, paid advertising, web pages, social media, blog posts, a newsletter and other appropriate channels. The guiding principle for 2018-2019 was applying OED's recently developed branding identity to the Department's various communications channels including the website-based blog, newsletter and social media platforms.

In 2018-2019, the OED Team produced approximately 60 original blogposts on various topics including policy; retail and business openings; commercial and residential developments; events; and the Diridon Station Area Plan community engagement process. Based on this content, OED produced 12 monthly issues of *SJEconomy News*. Each of the blogposts and newsletter issues generated posts on OED's social media platforms: LinkedIn, Facebook, Twitter, and Instagram. This content development pace has continued into 2019-2020, with a newsletter and six to eight blogposts per month.

In 2018-2019, the OED Team helped coordinate, publicize and staff one to three grand opening events per month, including Spread Deli; Zanotto's Fruitdale; Clandestine Brewery; Uproar Brewing; Eastridge Center; and San José MOMENT. Openings so far in 2019-2020 have included WeWork Labs; Living Spaces; HotWorx; Spectra Coffee; and Novel Co-Working.

The San José-branded merchandise program with Team San José was launched in 2018-2019, with merchandise available for retail purchase at www.sanjose.org, and through Hudson News at Mineta San José International Airport and other outlets. Plans for 2019-2020 include adding retail outlets and new merchandise categories.

6. Highlighted Accomplishments

The last 18 months have seen many significant moves in terms of economic development. Some highlights are:

- Corporate relocations and expansions have included the following (in no order).
 - **Hewlett-Packard Enterprise** moved from Palo Alto to the America Center campus in North San José

- **Honda R&D** located in 33,000 SF on Rio Robles for their first Silicon Valley facility
- Texas-based **Krypton Solutions** opened a contract manufacturing facility in the Monterey Corridor
- **Bloom Energy** located 600 employees in North San José, moving from Sunnyvale
- Chipmaker **SK Hynix** acquired 11 acres of land next to its existing North First Street campus for potential expansion
- Chipmaker **ARM** expanded into an adjacent building on Rose Orchard
- Grocery stores were active, with **Grocery Outlet** filling the long-vacant Nob Hill on Santa Teresa; **Zanotto's** opening a new mini-store at Fruitdale Station; **Safeway** moving back into its old home on Winchester (now under construction); **Lee's** (of Lee's Sandwiches fame) opening its first supermarket at Senter Road; and **Sprouts** backfilling the former Safeway on Capitol Avenue.
- **Micron** moved into its new facility on Holger Way, with room for XXX employees.
- **SPACES** and **Common Grounds**, two coworking companies, opened new facilities in North San José and downtown, respectively
- **Roku** expanded its previously announced lease at Coleman Highline to 753,000 square feet in five buildings, X of which is finishing construction.
- **Eataly** announced it would open a 40,000 square foot Italian superstore at Westfield Valley Fair
- **Living Spaces** moved into its first San José location in the former Sears space at Oakridge Mall
- **Baker Hughes** opened a state-of-the-art manufacturing-testing center
- **Lumentum** (formerly part of JDS Uniphase) consolidated into a new Ridder Park Drive campus
- **Outdoor Supply Hardware** leased the former Orchard Supply Hardware space at Princeton Plaza
- **Bill.com** announced a lease for 130,000 square feet at America Center in North San José
- The OED Team successfully negotiated a Revenue Capture Agreement with **eBay Inc.** that could generate significant revenue for the City
- **Topgolf** was well under construction with a planned opening in the first half of this year.
- **Jay Paul Co.** and **Adobe Systems** broke ground on new office towers Downtown.
- Industrial real estate continued to draw interest, with 970 McLaughlin under construction
- Small Business Anti-Displacement pilot kicked off with east side partners.
- More than 150 business and organization representatives attended the **8th Summit on Entrepreneurship and Innovation.**
- Nearly 550 businesses benefited from work2future recruitment and other employer services in FY 18/19.

7. The Year Ahead

Moving into 2020, the following strategic objectives will continue to be a priority.

- **Small Business Anti-Displacement** – As the City prepares for substantial growth, understanding the ways in which small businesses are affected will be critical for maintaining economic and cultural diversity in San José. This initiative is designed to explore how City policies and partnerships can effectively mitigate negative impacts that in some cases cause businesses to relocate or close.
- **9th Summit on Entrepreneurship and Innovation** – The OED Team is in conversations with a variety of partners to continue the robust delivery of inspirational keynote speakers, informative small business workshops, and valuable resource tables at this annual event. This year's event will focus on anti-displacement.
- **Manufacturing Initiative** – The manufacturing sector continues to be a driving economic force in San José. Following the creation of nonprofit MFG: SJ, staff intends to further engage largest OEMs and suppliers in San José to better understand and support this critical sector.
- **Major Project Facilitation in Key Growth Areas** – OED staff expects to play a continued key role in kicking off major projects and keeping them on track when they break ground. Currently, staff is supporting the build-out of the Peery-Arrillaga Brokaw campus, Roku, Super Micro, Verizon, Adobe and others.
- **Retail Support** – Amid a transitional time in the retail industry, the OED Team will add a new member in 2020 focused on implementing ideas contained in the three retail strategies – Citywide, Downtown and North San José.
- **Industrial Lands Intensification** – The region has been experiencing high demand for residential and employment growth, but faces a limited supply of land. Some of the industrial land base in San José is appropriate for higher-density uses within an employment context. Staff is pursuing changes that could allow increased density of employment uses in certain industrial areas, particularly the area just south of the new Berryessa BART station.

CONCLUSION

The City's fiscal strength relies in part on a strong and vibrant business sector. Today, that business sector remains strong while facing numerous challenges. While San José continues to enjoy strong business development, strategic outreach, policy development, and targeted services (such as workforce development) are crucial for maintaining momentum and ensuring all residents have access to quality job opportunities.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

January 13, 2020

Subject: Business Development and Small Business Update

Page 15 of 15

/s/

CHRIS BURTON

Deputy Director

Office of Economic Development

For questions, please contact Nathan Donato-Weinstein, Business Development Officer, at (408) 535-8178.