

San Jose's Manufacturing Real Estate Landscape: Sustaining Jobs and Career Opportunities

| August 24, 2020
City of San Jose



Agenda

Introduction – Nathan Donato-Weinstein, OED

Report Overview – Kate Sofis, CEO, SFMade Inc.

COVID-19 Sector Status Report – Michael Erickson, Regional Director, Manufacture: San Jose

Why Manufacturing?



Jobs for diverse San Jose residents



Supports diversified economy



Fiscal benefits for the City



Supports innovation and local supply chains

Why Manufacturing?



SANMINA



Why Manufacturing?

 fox5sandiego.com

US braces for health care supply shortages due to coronavirus

... Administration has contacted dozens of medical device manufacturers whose facilities in China may be at risk of creating shortages in the supply chain — and ...

Mar 1, 2020



 Bloomberg

Offshoring Left the U.S. Unprepared for Coronavirus

Offshoring Left the U.S. Unprepared for Coronavirus. Supply chains created to boost profits led to production of masks and swabs overseas. Wonder why there's ...

Mar 24, 2020



 Fox Business

Coronavirus disrupts Chinese production, threatens US drug supply

Coronavirus disrupts Chinese production, threatens US drug supply ... According to the FDA, there's only a shortage of one type of drug that has its main ...

Mar 10, 2020



 WIRED

How Decades of Offshoring Led to a Mask Shortage in a Pandemic

Building out new production capacity in a country that spent decades economizing through offshoring is not easy. Face masks are a low-value, easily shipped item ...



 nejm.org

Critical Supply Shortages — The Need for Ventilators and Personal Protective Equipment during the Covid-19 Pandemic

Adequate production and distribution of both types of equipment are crucial to caring for patients during the pandemic. There is a broad range of estimates of the ...

Apr 30, 2020

| San Jose's Commitment to Manufacturing

- Industrial land preservation policies
- Business outreach
- Industrial Tool Installation (ITI)
- Special initiatives
 - Manufacturing Roundtable
 - Education/workforce development
 - Manufacturing Outreach
 - Manufacture: San Jose

Manufacturing Week 2019



Green Circuits



Jabil



Vander-Bend Manufacturing

| Manufacturing Lands Study: Goals

- Understand the City's manufacturing sector in greater detail
- Explore geographic distribution of jobs
- Survey the state of and viability of industrial real estate
- Look at recent market trends
- Seek recommendations for retain and modernize industrial stock

Annual State of Local Manufacturing Breakfast

NAICS Code	Industry Name	# of Establishments	Percent
33	Manufacturing	805	30.1%
331	Food and Kindred Product Manufacturing	405	14.1%
332	Textile and Apparel Product Manufacturing	305	11.3%
333	Chemical and Allied Product Manufacturing	155	5.8%
334	Plastic and Rubber Product Manufacturing	145	5.4%
335	Electronics Manufacturing	135	5.0%
336	Transportation Equipment Manufacturing	125	4.7%
337	Metals and Metal Product Manufacturing	115	4.3%
338	Chemical Equipment, Instruments, and Component Manufacturing	105	4.0%
339	Other Manufacturing	95	3.6%
3311	Food and Kindred Product Manufacturing	405	14.1%
3321	Textile and Apparel Product Manufacturing	305	11.3%
3331	Chemical and Allied Product Manufacturing	155	5.8%
3341	Plastic and Rubber Product Manufacturing	145	5.4%
3351	Electronics Manufacturing	135	5.0%
3361	Transportation Equipment Manufacturing	125	4.7%
3371	Metals and Metal Product Manufacturing	115	4.3%
3381	Chemical Equipment, Instruments, and Component Manufacturing	105	4.0%
3391	Other Manufacturing	95	3.6%
Total		2,650	100.0%

Places to Make in San Jose – Paving the Way to Equity

Kate Sofis

CEO and Co-Founder

MFG:SJ and SFMade

San Jose is Northern California's largest manufacturing center, with **over 2,800 manufacturing companies** who collectively employ more than **50,000 people**.

NAICS Code	Industry Name	# of Establishments	
		Number	Percent
334	Computer and Electronic Product Manufacturing	850	30.0%
339	Miscellaneous Manufacturing	401	14.1%
332	Fabricated Metal Product Manufacturing	320	11.3%
333	Machinery Manufacturing	192	6.8%
311	Food Manufacturing	188	6.6%
323	Printing and Related Support Activities	186	6.6%
335	Electrical Equipment, Appliance, and Component Manufacturing	120	4.2%
325	Chemical Manufacturing	115	4.1%
337	Furniture and Related Product Manufacturing	107	3.8%
327	Nonmetallic Mineral Product Manufacturing	57	2.0%
312	Beverage and Tobacco Product Manufacturing	50	1.8%
336	Transportation Equipment Manufacturing	46	1.6%
314	Textile Product Mills	39	1.4%
321	Wood Product Manufacturing	38	1.3%
326	Plastics and Rubber Products Manufacturing	31	1.1%
315	Apparel Manufacturing	26	0.9%
331	Primary Metal Manufacturing	21	0.7%
322	Paper Manufacturing	18	0.6%
313	Textile Mills	13	0.5%
316	Leather and Allied Product Manufacturing	11	0.4%
324	Petroleum and Coal Products Manufacturing	5	0.2%
	Total	2,834	100.0%

Next generation business-business manufacturers -
including **semiconductors, computers,**
telecommunications, medical devices, clean energy
and **automotive** components- are tightly connected
to San Jose's vibrant technology sector and support a
rich ecosystem of smaller, often family-owned
suppliers.

The high average wages of technology-driven manufacturers suggest a **long runway for an individual with less than a four-year college degree** to gain skills and experience and significantly improve his or her earnings.

NAICS Code	Industry Name	Employment		Countywide Avg. Annual Wage (a)
		Number	Percent	
332322	Sheet Metal Work Manu.	2,538	20.5%	\$56,892
332710	Machine Shops	1,483	12.0%	\$67,755
323111	Commercial Printing (except Screen and Books)	808	6.5%	\$60,544
326199	All Other Plastics Product Manu.	694	5.6%	\$54,877
334412	Bare Printed Circuit Board Manu.	654	5.3%	\$70,506
337110	Wood Kitchen Cabinet and Countertop Manu.	429	3.5%	\$54,159
311811	Retail Bakeries	387	3.1%	\$28,244
337920	Blind and Shade Manu.	303	2.5%	\$46,123
332813	Electroplating, Plating, Polishing, Anodizing, and Coloring	218	1.8%	\$58,480
332312	Fabricated Structural Metal Manu.	210	1.7%	\$67,577
311230	Breakfast Cereal Manu.	207	1.7%	\$44,127
339950	Sign Manu.	203	1.6%	\$72,784
337127	Institutional Furniture Manu.	199	1.6%	\$68,308
311611	Animal (except Poultry) Slaughtering	196	1.6%	\$50,693
339116	Dental Laboratories	191	1.5%	\$51,201
334416	Capacitor, Resistor, Coil, Transformer, and Other Inductor Manu.	184	1.5%	\$70,595
322299	All Other Converted Paper Product Manu.	181	1.5%	\$51,316
311999	All Other Miscellaneous Food Manu.	173	1.4%	\$23,683
333517	Machine Tool Manu.	163	1.3%	\$57,348
312120	Breweries	142	1.1%	\$45,422
	All Other Lower-Wage Manu. Industries (b)	2,789	22.6%	n.a.
	Total, Lower-Wage Manu. Industries (b)	12,352	100.0%	n.a.

Manufacturing jobs at ***legacy or traditional*** manufacturers offer lower-skilled workers the opportunity for economic advancement.

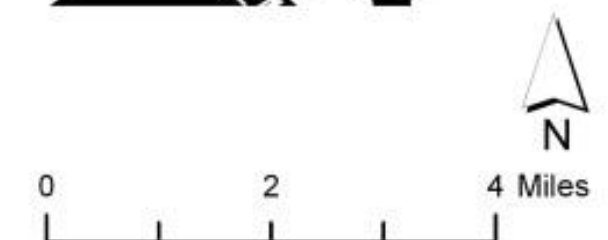
Legacy manufacturers also include a strong representation of **multi-generational family-owned businesses with rich ties into San Jose's ethnic minority communities.**

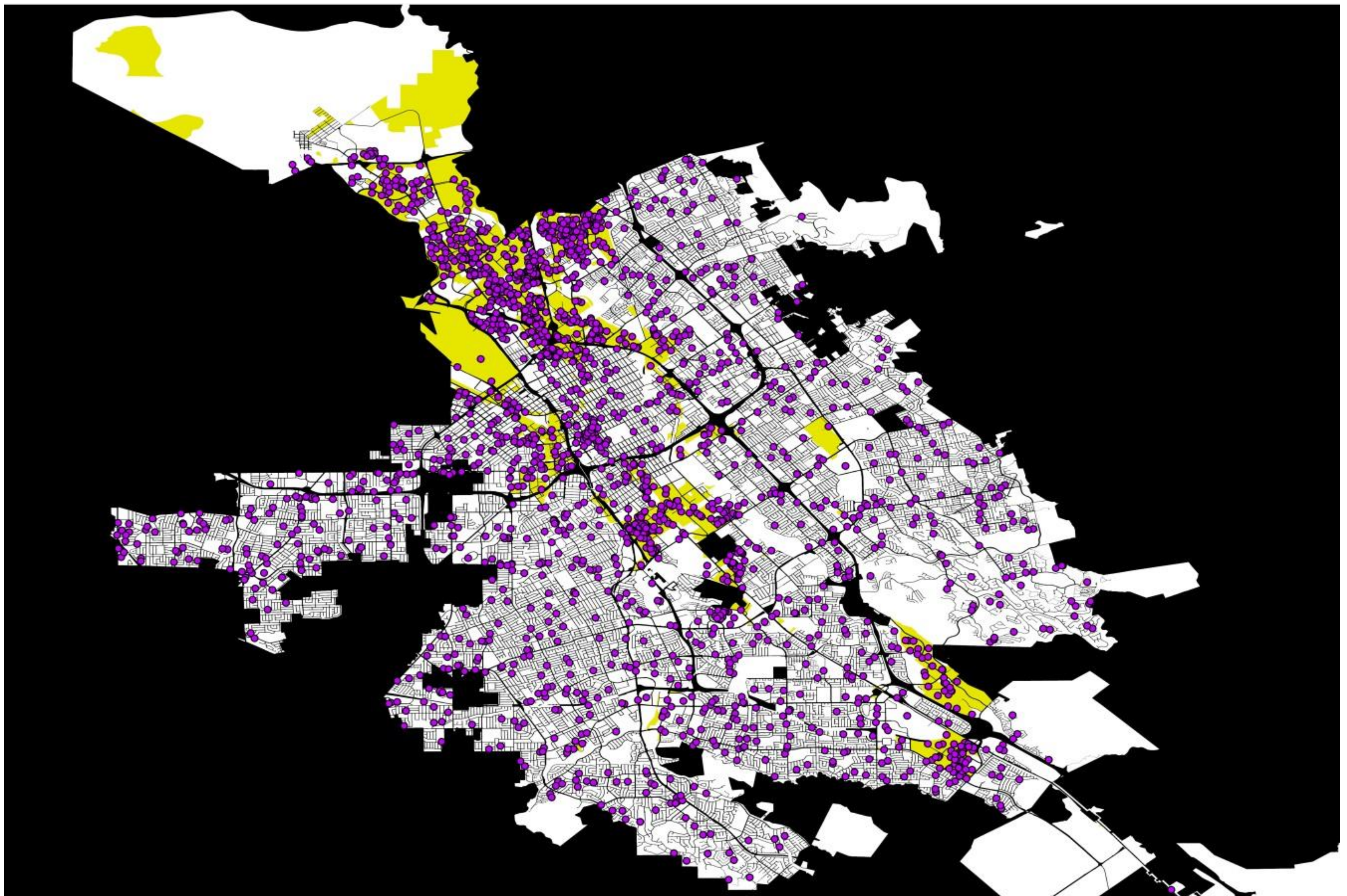


Industrial Zones

San Jose Industrial Zones

Heavy Industrial, Light Industrial, Industrial Park, and Combined Commercial-Industrial Zones





- Industrial Zones
- Establishments

San Jose
Industrial Zones and Manufacturing Establishments
Heavy Industrial, Light Industrial, Industrial Park, and Combined Commercial-Industrial Zones

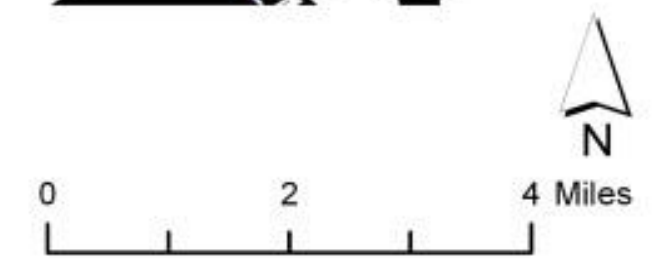
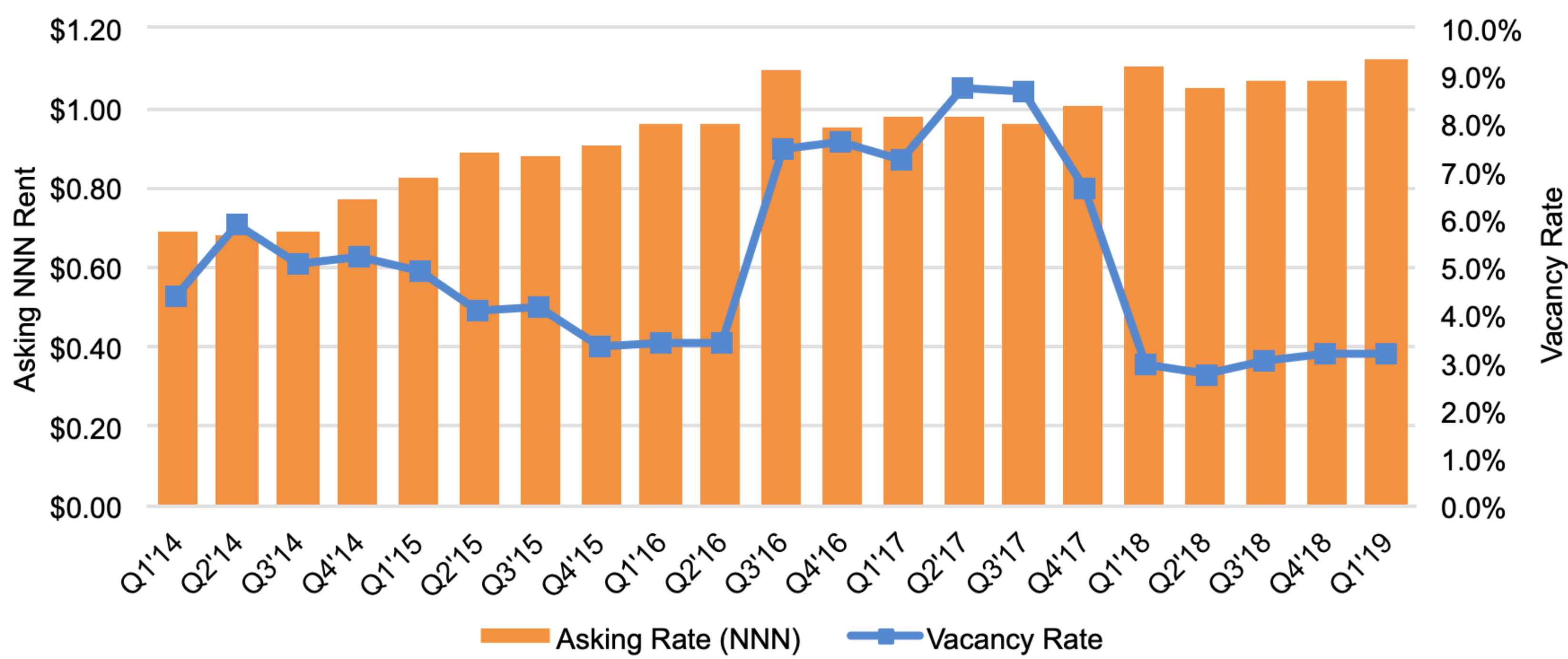
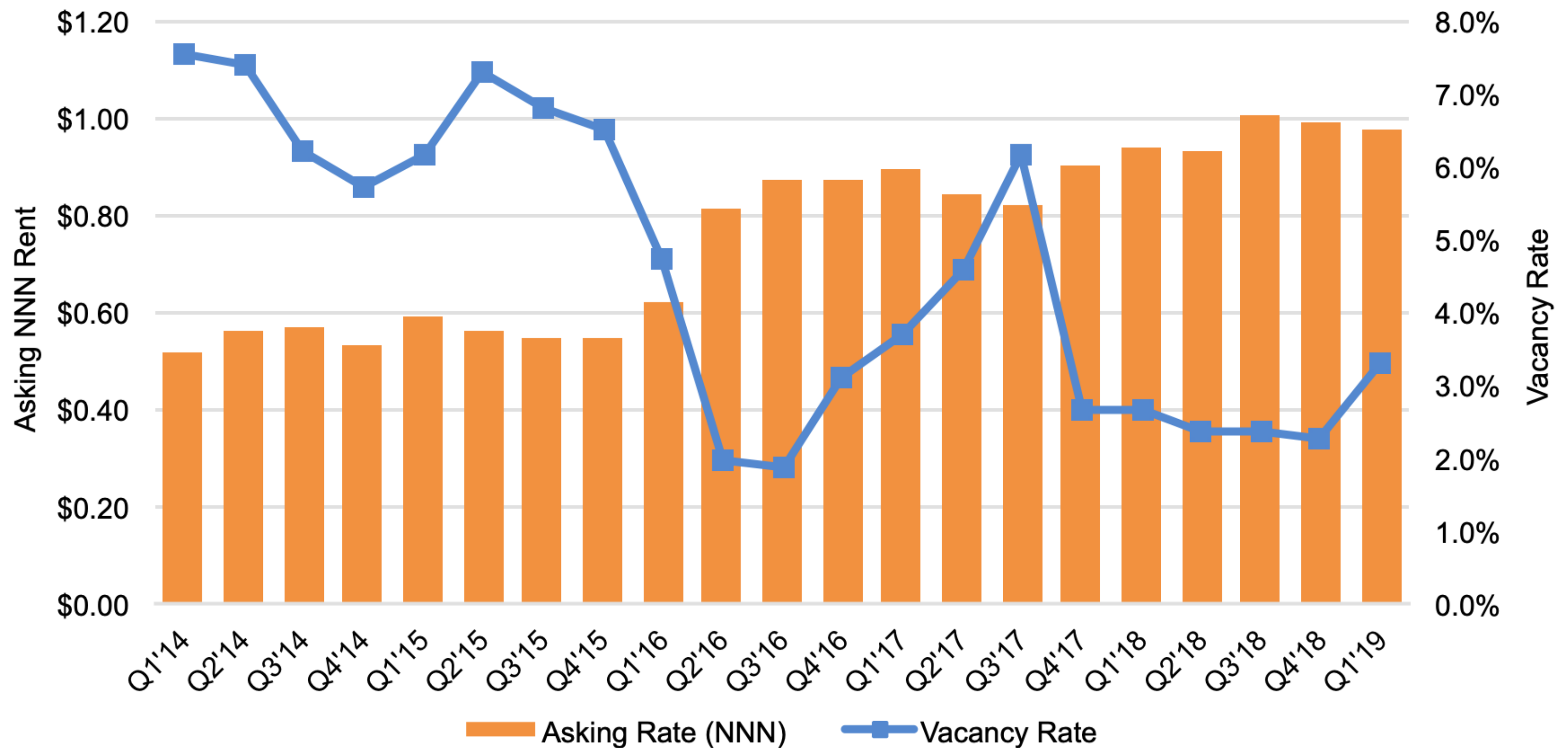


Figure 1: Traditional Industrial Rent and Vacancy Trends, San Jose, Q1 2014 - Q1 2019

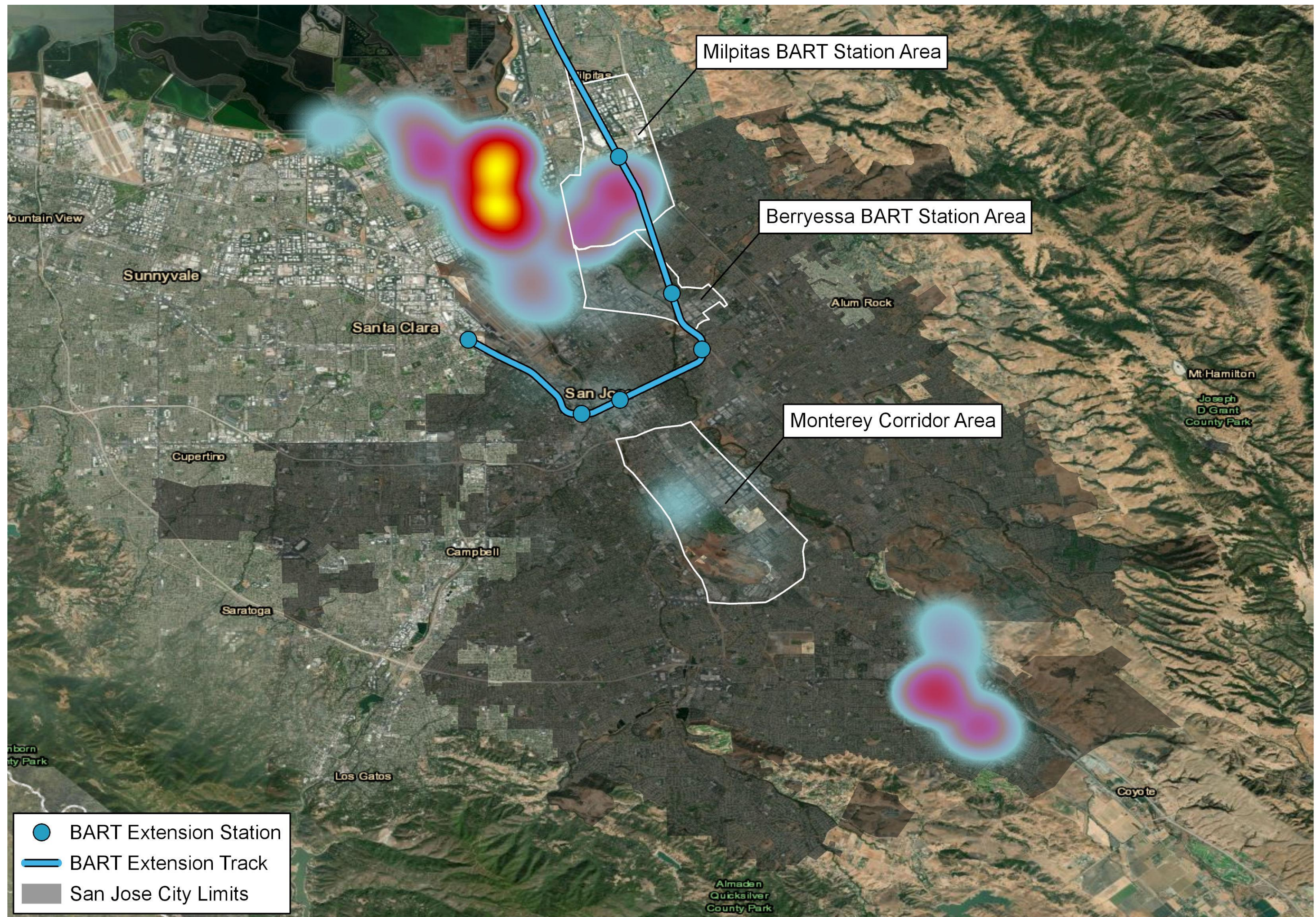


Sources: Newmark Knight Frank, 2019; BAE, 2019.

Figure 1: Warehouse Rent and Vacancy Trends, San Jose, Q1 2014 - Q1 2019



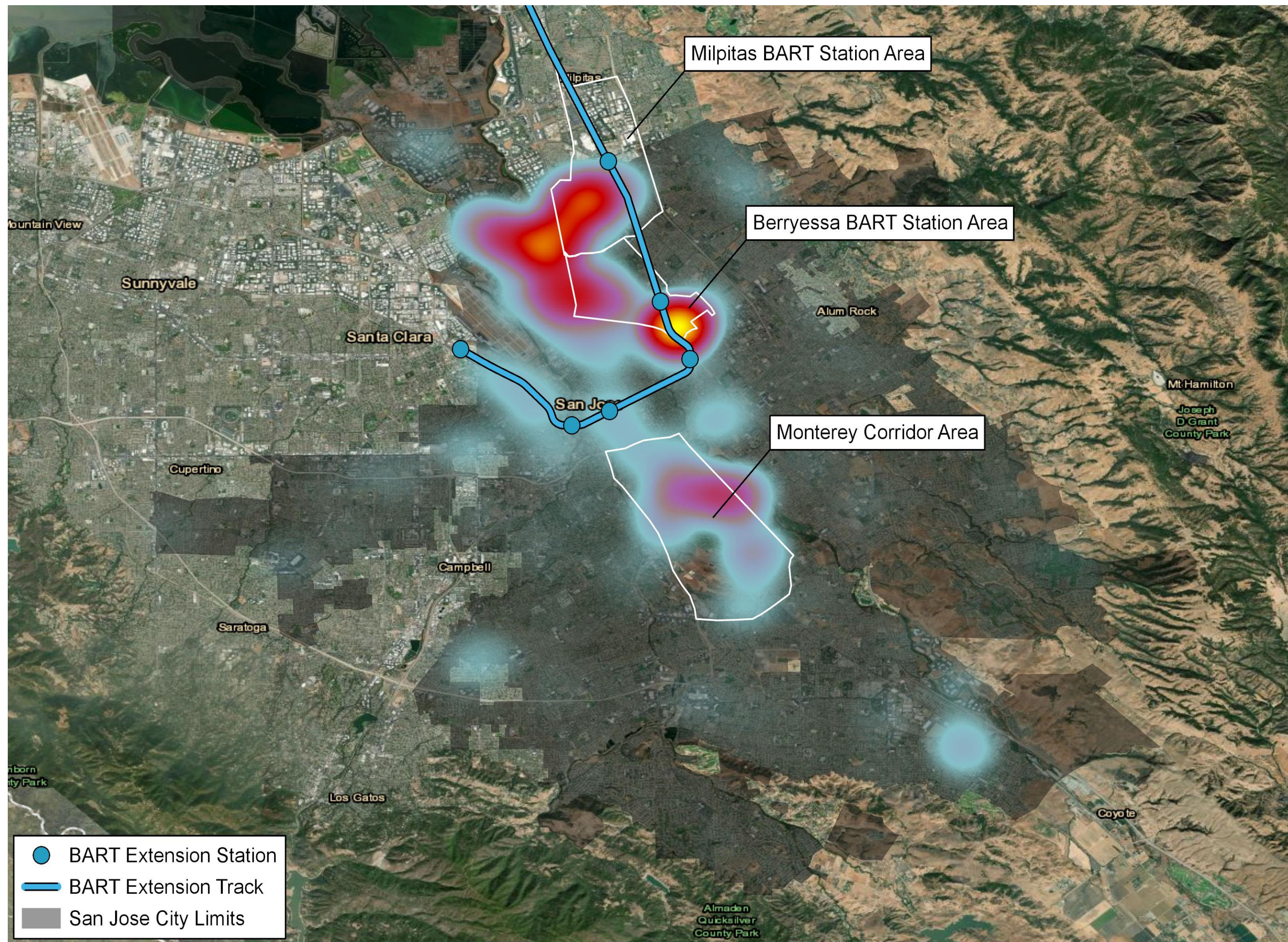
Sources: Newmark Knight Frank, 2019; BAE, 2019.



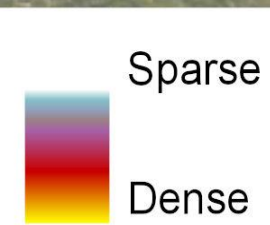
Sparse
Dense

**Density of San Jose Manufacturing
Employment in Industries with Countywide Avg. Annual Wages
>= \$75,000**





- BART Extension Station
- BART Extension Track
- San Jose City Limits



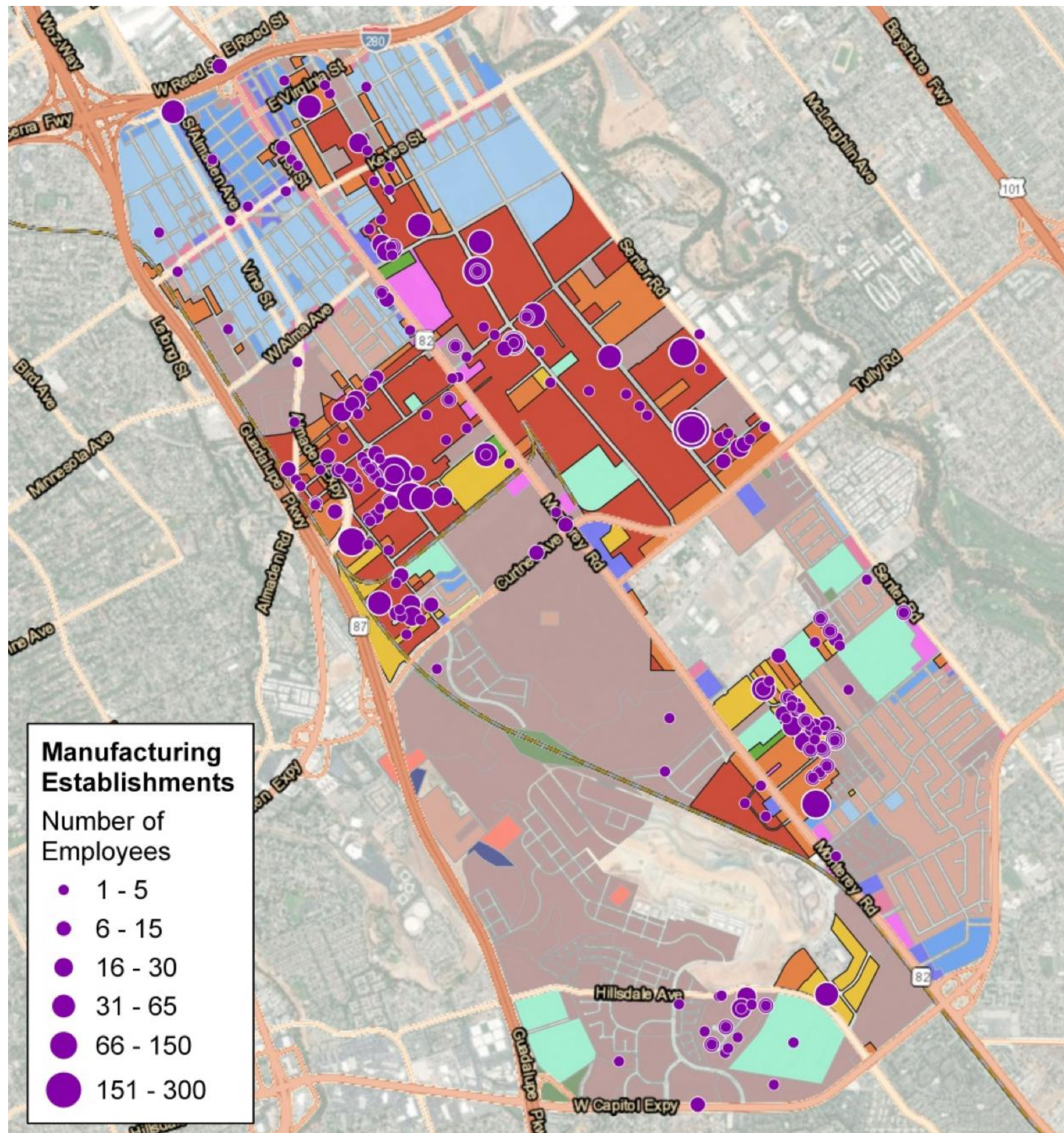
Density of San Jose Manufacturing
Employment in Industries with Countywide Avg. Annual Wages
< \$75,000



“TRANSIT ORIENTED” INDUSTRIAL NEIGHBORHOODS

Trifecta of jobs, transit, and housing.

**Significant opportunities to grow “whole”
communities.**



Monterey Corridor Manufacturing Establishments and Zoning

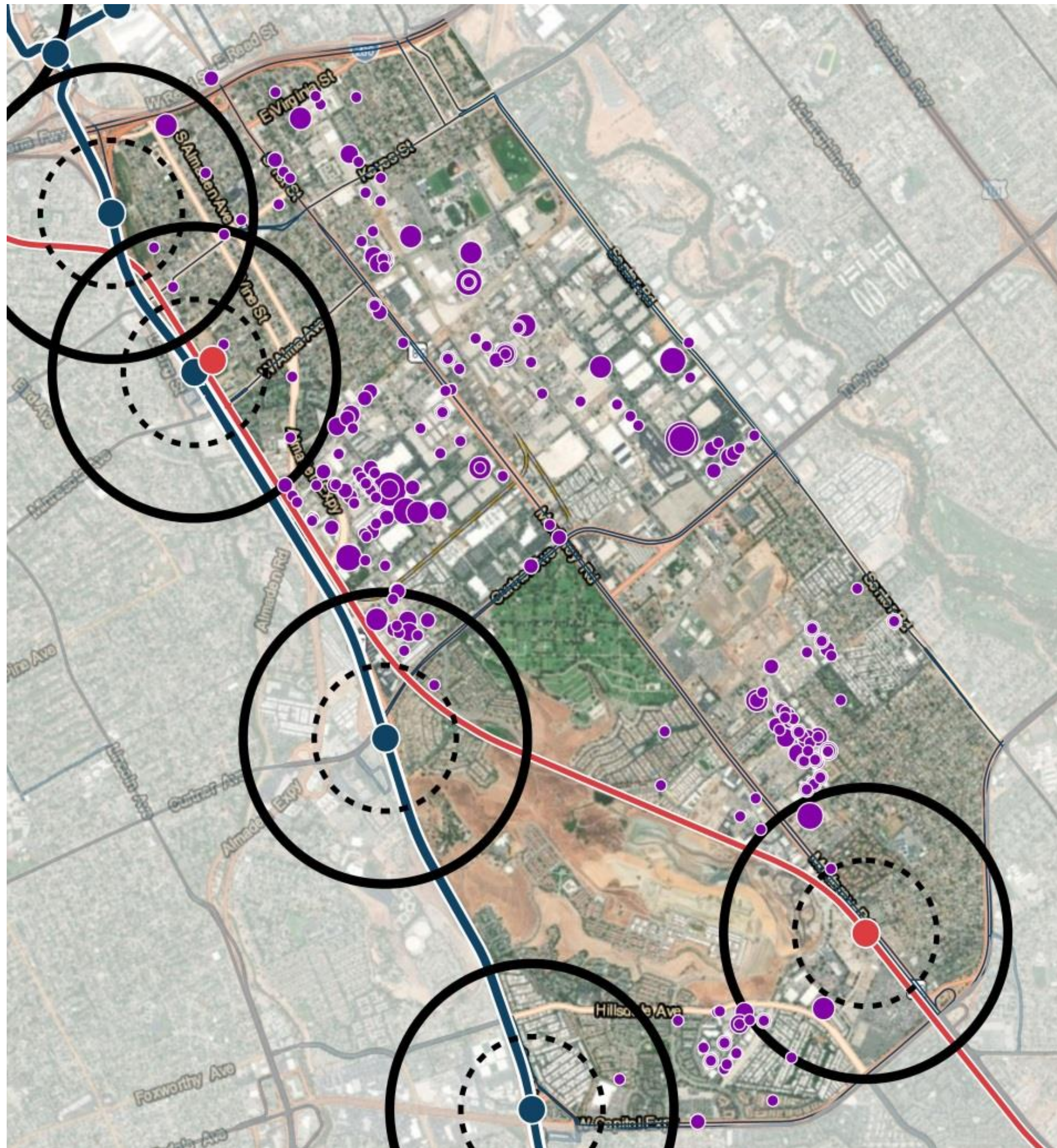
Industrial Zones

- Combined Industrial
- Industrial Park
- Light Industrial
- Heavy Industrial

Other Zones

- Planned Development
- Agriculture
- Cluster
- Commercial General
- Commercial Neighborhood
- Commercial Office
- Commercial Pedestrian
- Mobile Home Park
- Multiple Residence
- Open Space
- Public/Quasi-Public
- Single-Family Residential
- Two-Family Residential





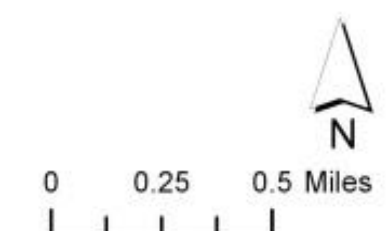
Monterey Corridor Manufacturing Establishments and Public Transit Access

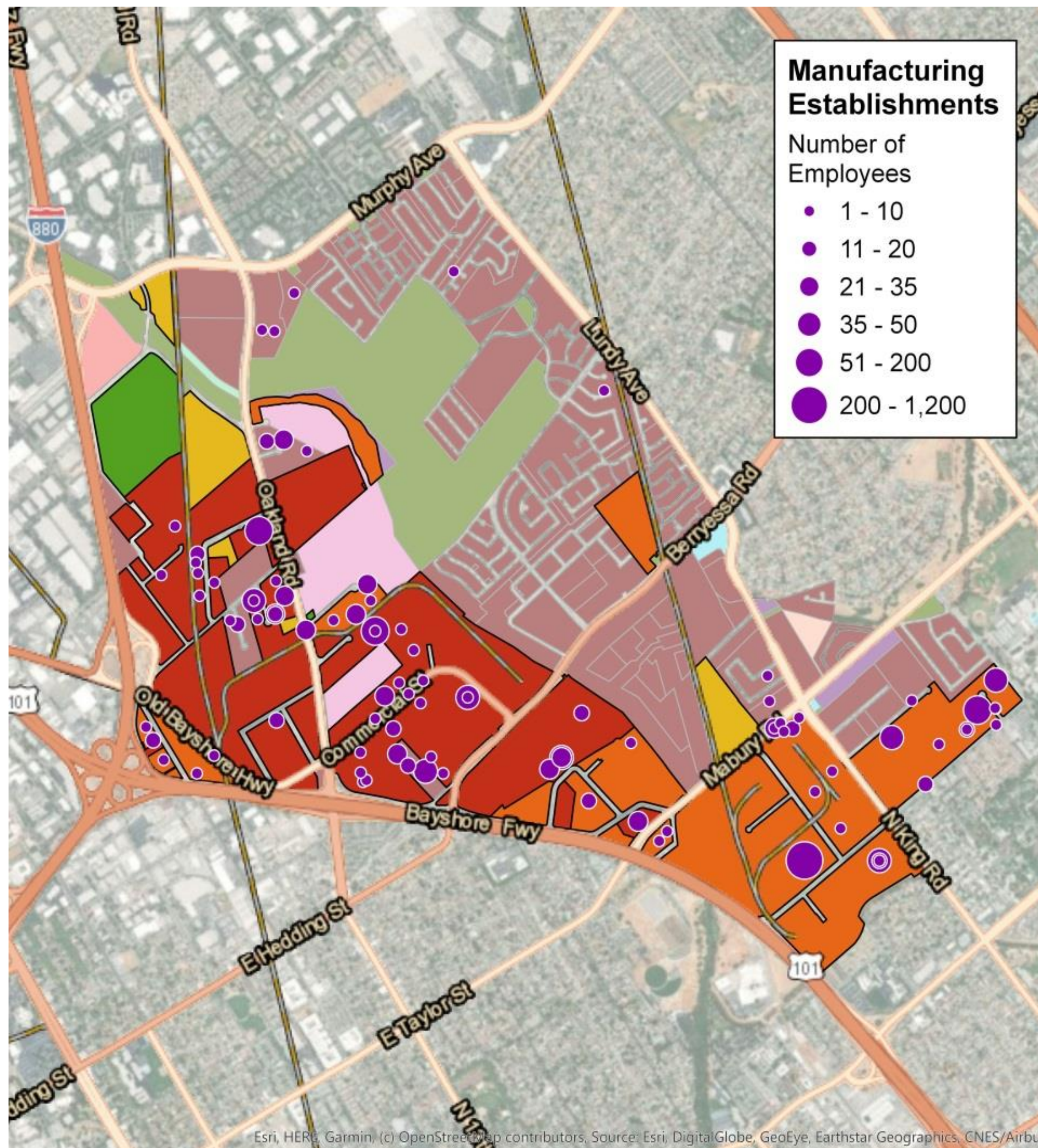
- VTA Light Rail Station
- VTA Light Rail Track
- VTA Bus Route
- Caltrain Station
- Caltrain Track
- ⋯ 1/4-Mile Radius Area
- ▭ 1/2-Mile Radius Area

Manufacturing Establishments

Number of Employees

- 1 - 5
- 6 - 15
- 16 - 30
- 31 - 65
- 66 - 150
- 151 - 300





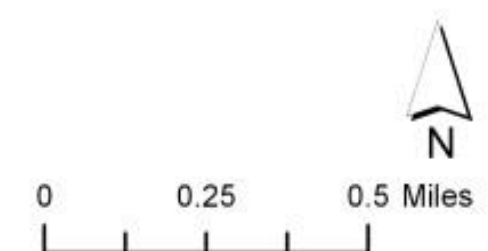
Berryessa BART Station Area Manufacturing Establishments and Zoning

Industrial Zones

- Combined Industrial
- Industrial Park
- Light Industrial
- Heavy Industrial

Other Zones

- Planned Development
- Agriculture
- Commercial General
- Commercial Pedestrian
- Mobile Home Park
- Multiple Residence
- Open Space
- Public/Quasi-Public
- Single-Family Residential





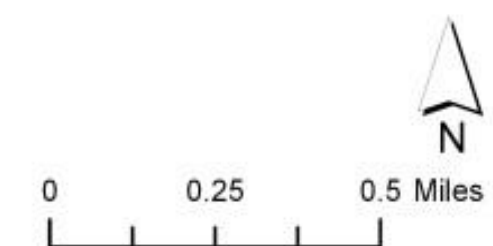
Berryessa BART Station Area Manufacturing Establishments and Public Transit Access

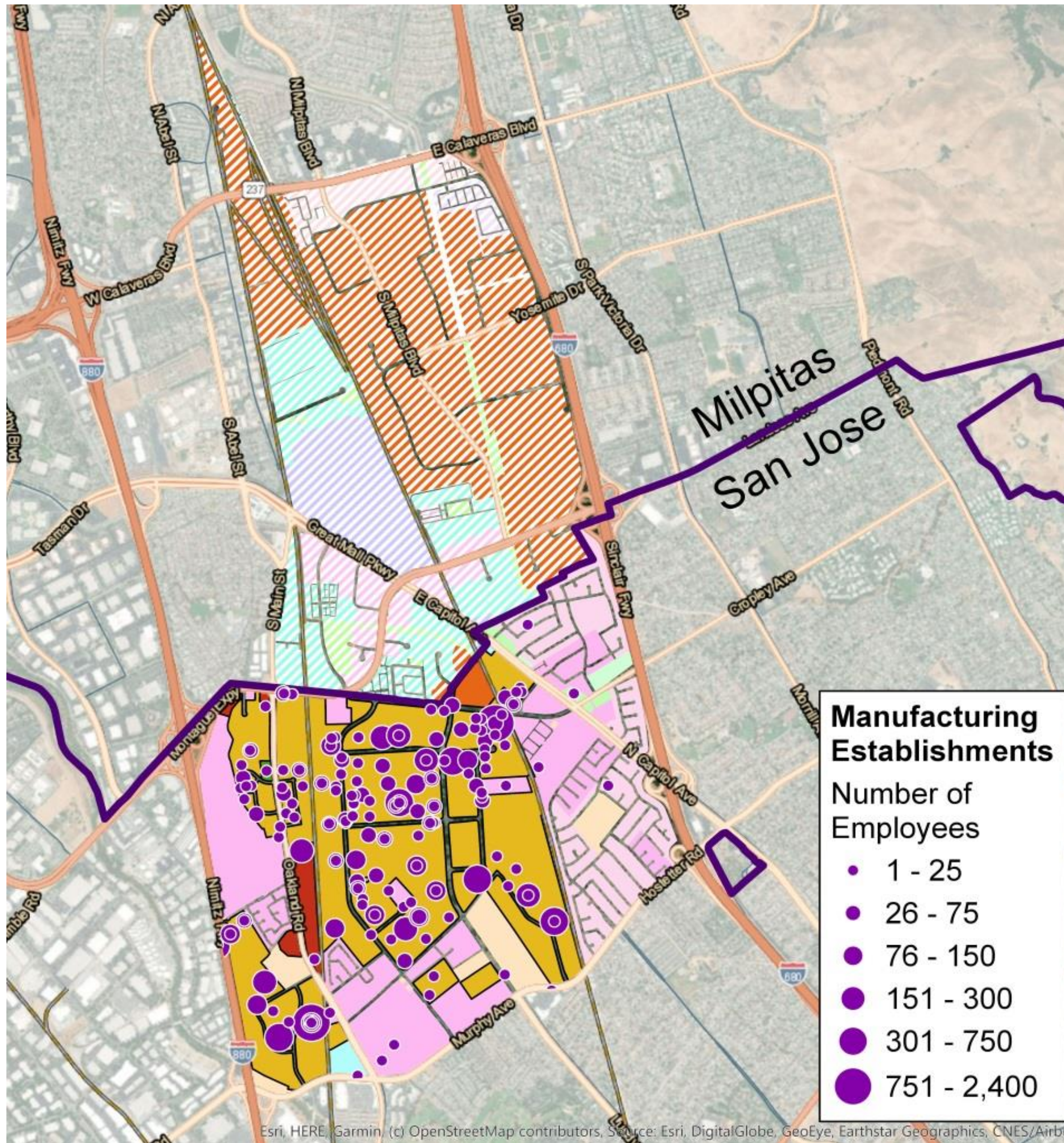
-  Berryessa BART Station
-  BART Phase 1 Extension
-  VTA Bus Route
-  1/4-Mile Radius Area
-  1/2-Mile Radius Area

Manufacturing Establishments

Number of Employees

-  1 - 10
-  11 - 20
-  21 - 35
-  35 - 50
-  51 - 200
-  200 - 1,200





Milpitas BART Area Manufacturing Establishments and Zoning

San Jose City Limits

Industrial Zones

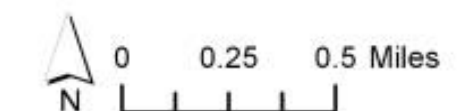
- Combined Industrial (SJ)
- Industrial Park (SJ)
- Light Industrial (SJ)
- Heavy Industrial (SJ)
- Industrial (Milpitas)

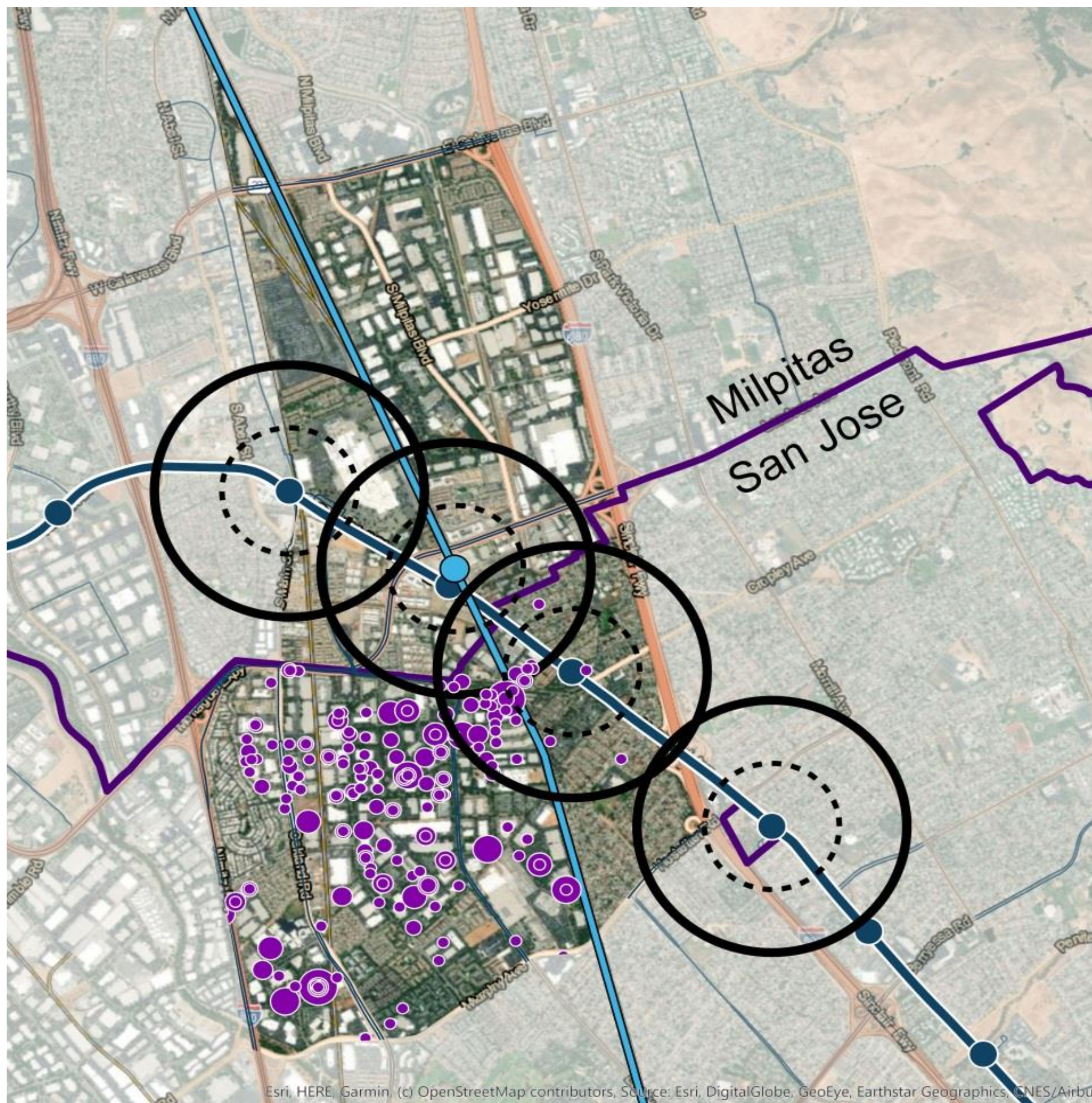
Other Zones (San Jose)

- Planned Development
- Agriculture
- Commercial Neighborhood
- Commercial Pedestrian
- Multiple Residence
- Single-Family Residential

Other Zones (Milpitas)

- Commercial
- Institutional
- Mixed-Use
- Multi-Family Residential
- Park/Open Space
- Single-Family Residential
- Town Center





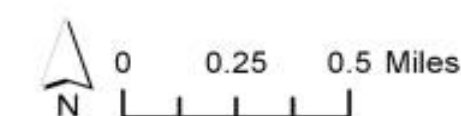
Milpitas BART Area Manufacturing Establishments and Public Transit Access

- San Jose City Limits
- Milpitas BART Station
- BART Phase 1 Extension
- VTA Light Rail Station
- VTA Light Rail Track
- VTA Bus Route
- 1/4-Mile Radius Area
- 1/2-Mile Radius Area

Manufacturing Establishments

Number of Employees

- 1 - 25
- 26 - 75
- 76 - 150
- 151 - 300
- 301 - 750
- 751 - 2,400



Recommendations

Strengthen existing industrial zoning controls, especially around transit hubs where pressure may be highest to covert to other uses.

Implement a moratorium on self-storage in industrial areas.

Pay attention to competing uses *within* industrial sectors. In particular, San Jose and Silicon Valley as a whole has experienced very strong demand for warehouse and distribution space.

Provide incentives to modernize, or demise older industrial buildings. San Jose's industrial building stock is generally quite old—90% was built more than 30 years ago—and much of it is comprised of single-story buildings designed to serve a single user

Consider multi-story industrial near transit hubs. Increasingly, in dense urban areas, and in high cost regions of the US like Santa Clara, multi-story can enable *density* and *cross-subsidization of costs/rents*.

**Resist the pressure to rezone industrial for housing.
Even for affordable housing.**

*Manufacturers sustain the very jobs held by those we
aspire to build affordable housing for.*

Modern, functional industrial space is the “affordable housing” San Jose’s vibrant manufacturing ecosystem needs to thrive.

MFG: SJ

MFG: SJ JULY 2020

HEALTH SURVEY

MANUFACTURE

SAN JOSE

WFG:SU

SURVEY OVERVIEW

Current business state

- **8%** Booming
- **23%** Improving
- **50%** Steady
- **19%** Declining
- **0%** Critical

WFC:SU

Greatest Challenges

UTILIZING THE CHALLENGE SCALE –
FROM 1 (NO CHALLENGE) TO 100 (MOST PRESSING)

- Decreasing sales is the greatest challenge (SCORE OF 36 V. 56 IN SF)

2ND-LEVEL CHALLENGES:

- Health and Safety Rules (32) (v. 33)
 - Other HR Issues (31) (v. 22)
 - Staff Morale (21) (v. 35)
 - Access to Capital (20) (v. 34)
- # MANUFACTURE
- # SAN JOSE

Access to Capital

**AMONG 30 RESPONDENTS, ONLY \$6M IN (REPORTED)
COMBINED CAPITAL ASSISTANCE**

- **PPP LOANS:** \$5.6M RECEIVED
- **EIDL LOAN ADVANCE:** \$42K
- **EIDL LOAN:** \$467K
- **GRANTS:** 1 COMPANY RECEIVED A \$10K GRANT
- **PERSONAL LOANS:** 2 COMPANIES EITHER TOOK OUT PERSONAL LOANS OR UTILIZED LOC

Workforce & Revenue

All respondents vs. respondents under \$2M in revenue

ALL RESPONDENTS

	Now	Pre-COVID		Plan to hire by EOY
FT	2188	2277	-4%	193
PT	219	139	58%	11
TOTAL	2407	2416	0%	204

	Now	Pre-COVID	
Revenue	49,024,464	39,181,151	25%

- 4% reduction in FTE
- 58% growth in PT staff
- PT headcount driven by one company

Driven by two larger companies, revenue is up 25%

Workforce & Revenue

All respondents v. respondents under \$2m in Revenue

Companies under \$2m

	Now	Pre-COVID		Plan to hire by EOY
FT	988	1027	-4%	78
PT	64	84	-24%	11
TOTAL	1052	1111	-5%	89

	Now	Pre-COVID		
Revenue	4,524,464	5,681,151	-20%	-1,156,687

- 4% reduction in FTE (same as total)
- 24% contraction in PT staff
- PT growth driven by consumer product companies

Trends and Findings

- Among 30 respondents, only 7 received rental assistance.
- Consumer product manufacturing continues to pivot to online/curbside sales.
- Companies with established e-commerce are thriving.

Questions?

Chris Burton

Deputy Director
Office of Economic Development
City of San Jose

Nathan Donato-Weinstein

Business Development Officer
Office of Economic Development
City of San Jose

Kate Sofis

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SFMade Inc.

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