



Memorandum

TO: COMMUNITY AND
ECONOMIC DEVELOPMENT
COMMITTEE

FROM: Rosalynn Hughey

SUBJECT: City Council Focus Area
Status Report: Growing Our
Economy

DATE: December 2, 2025

Approved

Date: 12/2/2025

RECOMMENDATION

Accept the status report on the City's Growing Our Economy Focus Area implementation and progress toward building the long-term infrastructure required for learning and continuous improvement.

BACKGROUND

On September 30, 2025, the City Council approved the *Focus Area Model 2.0*—a framework designed to strengthen and accelerate progress on San José's most significant, cross-cutting challenges.¹ The model organizes City efforts into five Focus Areas:

1. Increasing Community Safety
2. Reducing Unsheltered Homelessness
3. Cleaning Up Our Neighborhoods
4. Growing Our Economy
5. Building More Housing

Model 2.0 represents a major shift from data reporting to a shared learning model, structured through quarterly cycles of planning, executing, reflecting, and improving. Each Focus Area is supported by a logic model—a framework linking long-term goals to near-term actions and measurable results—and by a regular cadence of retrospective

¹See September 30, 2025, City Council, Item 3.4, City Council Focus Areas Semi-Annual Status Report. <https://sanjose.legistar.com/View.ashx?M=F&ID=14796341&GUID=F10DEA6B-E69E-4648-A366-E7C99FB38D05>

learning sessions that enable teams to adjust strategies in real time and report insights to the City Council.

ANALYSIS

Building the Infrastructure for Long-Term Impact (June–December 2025)

Between July and September 2025, the Administration focused staff capacity around building logic models that would serve as the foundation for a shared long-term vision for each Focus Area. Since Council approval, the Administration has focused on establishing the *people, processes, and technology* that will sustain this new performance learning infrastructure.

MONTH (2025)	MILESTONE	PURPOSE
JULY- SEPTEMBER	Completion of Fiscal Year 2025–2026 logic models and retrospective training series <ul style="list-style-type: none"> • Conducted staff workshops and deep-dive consultations • Articulated Long-Term Goals, Problem Areas, Change Initiatives, and Near-Term Goals • Established indicators and metrics to serve as feedback loops • Initiated implementation of select change initiatives 	Established foundations for shared understanding and learning
SEPTEMBER 30	Council adoption of Model 2.0	Formalized governance and accountability structure
OCTOBER– NOVEMBER	Completion of retrospective trainings and dashboard buildouts <ul style="list-style-type: none"> • Provided retrospective trainings for execution leaders in each Focus Area; training on performance leadership • Held first monthly retrospectives in each Focus Area • Conducted user experience interviews for public dashboards • Finalized data structure and collected data sets for dashboards 	Capacity building and operational rollout
DECEMBER	Committee briefings and launch of first-iteration of dynamic public dashboards	Community learning

Additionally, during the initial two-month period since the City Council formally accepted the new model, teams have been learning how to apply *execution-as-learning*—testing small changes, documenting observations, and refining their approach. This process builds the City’s internal capacity for adaptive learning while maintaining focus on results.

Through this model, City leadership is encouraging curiosity and reflection through questions such as:

- What are we seeing in our metrics to date? How do we make sense of what we’re seeing?
- What did we observe from this past cycle? What went well? What could have gone better?
- What barriers are limiting progress? What are we learning as a result?
- What will we adjust now to have the most impact? What did we learn last quarter that might inform new approaches to goals?

Staff invite Committee members to ask similar questions during these updates, as Committee reports offer an opportunity to learn together about how our collective efforts are working in practice. During Committee discussions, we welcome conversations about what we are learning from implementation—what the data, stories, and staff experiences suggest about the effectiveness of current interventions. These updates are not intended to modify problem areas, near-term goals, or success measures, which are established and adjusted by the full City Council through the budget process. However, Committee members are encouraged to explore how we measure success, such as opportunities to disaggregate or contextualize existing data, where available, to deepen understanding of outcomes and equity impacts. Committee conversations can help shape how we learn and support the City Council’s broader decision-making.

Focus Area Updates

This Committee oversees the following Focus Area(s):

- Growing Our Economy
- Building More Housing

The Committee will hear both focus areas as separate items. Because the September 30, 2025 City Council presentations were brief, for the first Focus Area Committee Updates in December 2025, staff will review the new logic model components and provide a full walk through of each Focus Areas long-term goals; problems that are preventing the City from reaching its goal; the near-term goals staff committed to accomplishing to address the goals; and the change initiatives tied to those near-term goals. Implementation updates will be embedded in this presentation with a summary of key lessons learned to date.

Moving forward, each Focus Area Committee Update will include:

- A brief reminder of the long-term goal and near-term fiscal year goals;
- A summary of progress to date, drawing from retrospective learnings; and
- Key lessons learned and next steps to strengthen implementation.

A few major updates from the Growing Our Economy Focus Area are summarized below; more learnings will be expanded upon during the presentation.

1. Business Development and Workforce Preparedness

- *Indicator Reporting.* Collaboration with the Finance Department will streamline jobs and small business reporting using business certificate data. Beginning February 2026, quarterly reports will provide more real-time information on economic indicators for the focus area.
- *Jobs.* In the First Quarter of Fiscal Year 2025-2026, the City Manager's Office of Economic Development and Cultural Affairs, Business Development team, retained, expanded, and/or attracted 1,300 jobs. Highlights of the team's work through the Second Quarter include retention efforts with semiconductor company DISCO Hi-Tech America, expansion of Rose Battery, celebrating a new North San José location for Netgear, and welcoming Lucid Motors into the Downtown Growth Area.
- *Industry Engagement.* The Business Development team exhibited at SEMICON West, the leading U.S. semiconductor industry convening, as part of the California delegation. Presence at this convening is important to keep the semiconductor industry in California and in San José.
- *Business Facilitation.* Business facilitation requires tailored approaches that align City opportunities with individual company needs. To support this effort, the City Manager's Office of Economic Development and Cultural Affairs will secure a new corporate prospecting tool to facilitate more informed and strategic corporate outreach. Priority sectors include technology hardware and processing, advanced manufacturing, semiconductors, research and development for innovation (including AI), robotics, quantum computing, photonics, and healthcare innovation, with an emphasis on diversifying the City's economic base.
- *Unstably Housed Workforce Development Pilot.* To date, 69 unstably housed clients have enrolled in the pilot workforce development program. Ongoing intensive case management in partnership with community-based organizations remains critical. The majority of clients enrolling in this program are young adults aged 18-24.
- *AI Training.* Since July 1, 2025, the workforce development team has launched 50 AI-related trainings, with 31 clients enrolled so far. These trainings are tailored to the application of AI tools across a wide variety of high-wage, high-growth professions.

2. Infrastructure Readiness

- *Data Center Interest.* Staff received substantial new interest in data center projects following the City's partnership agreement with PG&E, providing valuable insights into how best to educate prospective developers about PG&E's large-load cluster study and interconnection process so they have the information needed to make informed investment decisions in San José.
- *Project Coordination.* The Data Center Development Team was formed to coordinate and remove hurdles for projects moving through entitlement and building plan review. Early work has shown a clear learning curve among both applicants and City staff regarding data center requirements, environmental review pathways, and how to handle unconventional proposals such as mixed residential–data center developments.
- *Project Design.* Large-scale fire testing requirements for Energy Storage Systems (e.g., Backup batteries) may significantly slow or complicate project delivery. This underscores the need for continued monitoring as more applicants include Energy Storage Systems in their designs.
- *Regional Wastewater Facility Economic Development Lands.* City Council authorized staff to negotiate and execute an Exclusive Negotiating Agreement with Prologis Inc. on November 18, 2025.

3. Downtown and Neighborhood Business District Investment

- *Downtown Office Leasing Incentive Program.* Three companies have utilized the Downtown Office Leasing Incentive Program since it was approved by the Council on October 1, 2024.² There are two benefits to the program: waiving business taxes and complimentary parking. Staff found that the business taxes for these companies were able to be waived fairly easily. The parking benefits, however, were just recently made more accessible by removing onerous insurance requirements. The three companies utilizing the program are now able to access the free parking benefit. Staff has also connected with various additional companies looking for suites under 2,500 square feet, which fall below the threshold for the leasing incentive. Through implementation of this program, staff learned that the Downtown Office Leasing Incentive Program works best for more established small businesses and fits the needs of early-stage start-ups less. These companies are more inclined to lease a smaller space or join an existing co-working space.
- *Downtown Retention.* Downtown companies remain committed to Downtown but are exploring moves within the core as higher-quality and more cost-effective office options become available.
- *Downtown Placemaking.* Three placemaking initiatives were completed in the First Quarter of Fiscal Year 2025-2026, with three ongoing. The 2026

² <https://sanjoseca.primegov.com/Portal/viewer?id=0&type=7&uid=9deaacc6-bfc7-407d-b59e-a4155e1f79f8>

major sporting events are a valuable driver for placemaking, with several partners interested in supporting improvement efforts.

- *Business Improvement Districts.* Resolutions of intention to form business improvement districts along Alum Rock and The Alameda will be considered by the City Council on December 16, 2025. The use of a consultant, in partnership with the City Manager's Office of Economic Development and Cultural Affairs business development staff, has proved critical to outreach, identification of business leaders, and forming strong business associations and improvement districts.
- *Small Business Start-up Grant Program.* The Small Business Advisory Committee provided direct input to the design and evaluation of the new business start-up grant program scheduled to launch in January 2026.

4. Sports and Entertainment District Development

- *Entertainment Zones.* Recent clarification from the California Department of Alcoholic Beverage Control confirms that one-day liquor licenses may be issued for events within Entertainment Zones. This clarification removes a major barrier to temporary outdoor alcohol sales and enables Entertainment Zones activations.
- *2026 Cultural Events.* Coordination with cultural producers and community organizations is underway for six CityDance events scheduled for the evenings before each FIFA World Cup match at Levi's Stadium. Event concepts will activate Downtown vibrancy, support local artists, and enhance the regional visitor experience.
- *Arts Will Play in 2026!* In partnership with Visit San Jose, the Office of Cultural Affairs launched the Arts Will Play in 2026! Cultural Tourism Marketing Opportunity. This digital marketing campaign will promote cultural tourism in 2026 through a diverse set of events and programs that uniquely reflect San José's culture. Selected through a competitive proposal process, organizations will receive \$10,000 in digital marketing ad buys plus a customized digital marketing strategy developed in partnership with Visit San Jose. The recipients of the Arts Will Play in 2026! Cultural Tourism Marketing Opportunities include: Contemporary Arts Theater Scene (CATS), Cinequest, Fountain Blues Festival Foundation, Friends of Levitt Pavilion, MACLA, Opera San José, San Jose Day, San José Museum of Art, San Jose Jazz, School of Arts and Culture at the Mexican Heritage Plaza, Symphony San Jose, and Vietnamese American Roundtable.
- *Citywide Outdoor Special Events.* Recent improvements to the outdoor event facilitation process, paired with policy updates to the Private Property Ordinance, are spurring more event activations. The Office of Cultural Affairs has already facilitated 310 event days in Fiscal Year 2025-2026, reaching 64% of the annual goal of 485 event days.

What's Next: Continuing to Learn and Build

The Administration views Fiscal Year 2025–2026 as a pilot year for Model 2.0 that is focused on building the infrastructure, tools, and culture needed for long-term success.

Key next steps include:

- Continue iterating on functionality of public facing dashboards – improving usability and data shared for each Focus Area.
- Continue sequenced implementation of near-term goals and associated change initiatives.
- Refining processes and metrics through monthly retrospectives and interdepartmental coordination.
- Building capacity through additional training on data literacy, goal setting, and performance leadership.
- Cultivating a work environment and team culture that ensures our staff feel supported to test new approaches, identify challenges early, and learn openly. What this looks like is staff feeling comfortable publicly working through discussions on projects where any missed targets are valued as learning opportunities, knowing that experimentation in this space requires creativity, iteration, and public learning without fear of personal blame.

The Administration's learning from this foundational work will be reported on during communications to City Council in Spring 2026, which will include updates on results-to-date across all Focus Area near-term goals. As this first year of Focus Area Model 2.0 implementation represents an important step in building the long-term infrastructure for performance, learning, and results, staff will also provide relevant implementation insights with recommendations for further improvement in the second year of execution. While this work takes time to refine, the City is already gaining valuable insight from implementation and developing the systems and culture needed for major, lasting impact.

COORDINATION

This memorandum was coordinated with the City Manager's Office of Economic Development and Cultural Affairs, City Attorney's Office, Planning, Building, and Code Enforcement, and Public Works.



Rosalynn Hughey
Deputy City Manager, City Manager's Office

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

December 2, 2025

Subject: City Council Focus Area Status Report: Growing Our Economy

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For questions, please contact Kailyn Kenney, Assistant to the City Manager, City Manager's Office, at kailyn.kenney@sanjoseca.gov.