

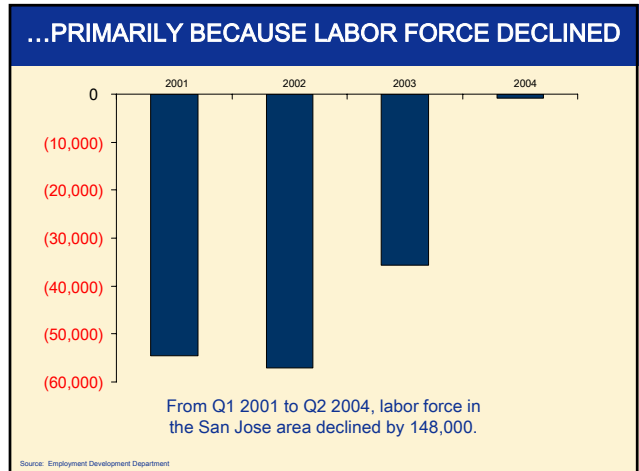
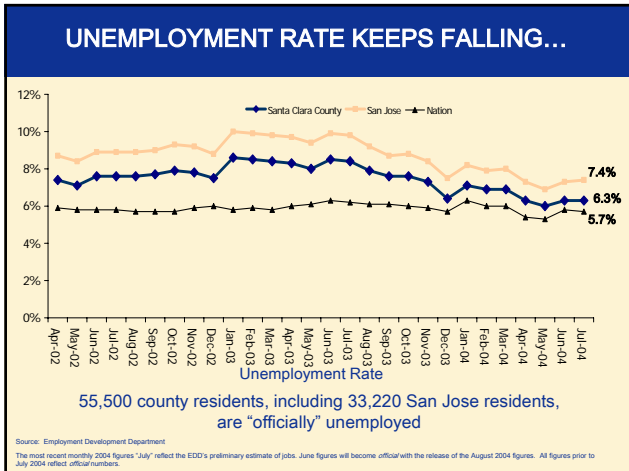
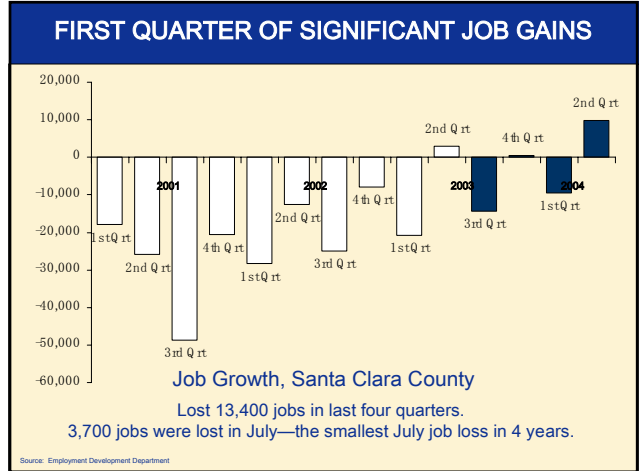
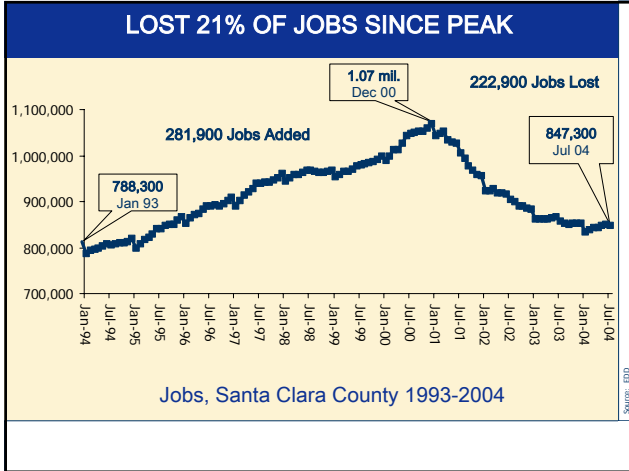


OVERVIEW

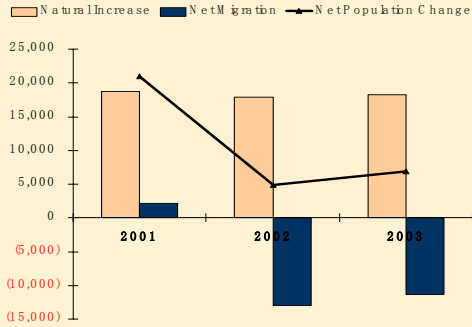
- I. Economic Performance
- II. Progress Highlights
- III. "One Voice" Business Appreciation Findings

I. Economic Performance





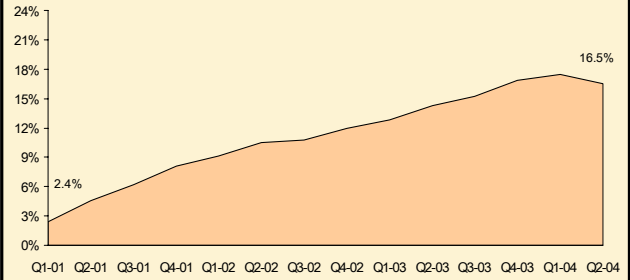
NET MIGRATION TURNED NEGATIVE, BUT RESIDENT POPULATION STILL INCREASED



Net Population Change Santa Clara County, 2001-2003

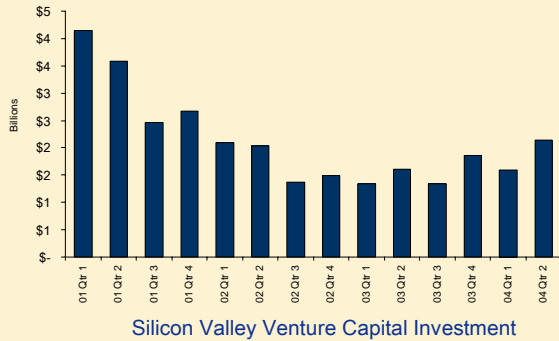
Source: CA Department of Finance

VALLEY'S VACANCY RATE FELL IN Q2



Source: Colliers Parsh 2nd Quarter 2004

VENTURE CAPITAL IS REBOUNDING SLOWLY



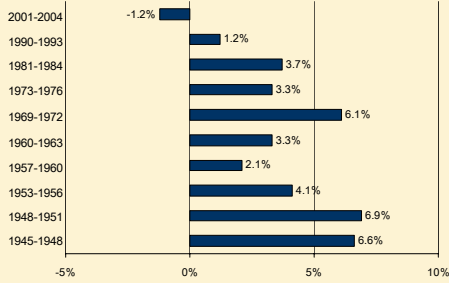
Silicon Valley Venture Capital Investment

Source: PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey

FACTORS THAT AFFECT LOCAL JOB GROWTH

1. National Economy
2. Productivity Trends
3. Regional Competitiveness/Capabilities
4. San Jose's Attractiveness

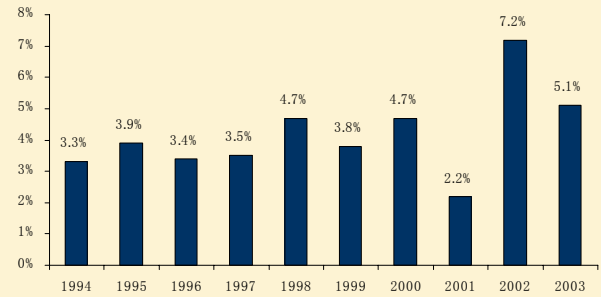
SLOWEST RECOVERY SINCE DEPRESSION ERA



% Change in U.S. Jobs 37 Months After Recession Starts

State and local policies cannot overcome negative effects of slow national economic growth

US PRODUCTIVITY CONTINUED TO GROW THROUGH RECESSION



US Productivity Growth

Source: Bureau of Labor Statistics

PRODUCTIVITY GROWTH IS MAIN FACTOR IN "JOBLESS" RECOVERY

- Nationally, one percentage point of productivity growth "eliminates" the need for about 1.3 million jobs.
- By contrast, researchers estimate outsourcing "cost" the U.S. about 300,000 jobs in last 3 years.

Source: Business Week

OUR REGION'S ATTRACTIVENESS

Pull Factors (to our region)

- "Sophisticated" regional capabilities
- Concentration of customers, partners
- Distinct quality of life

Push Factors (to national/global alternatives)

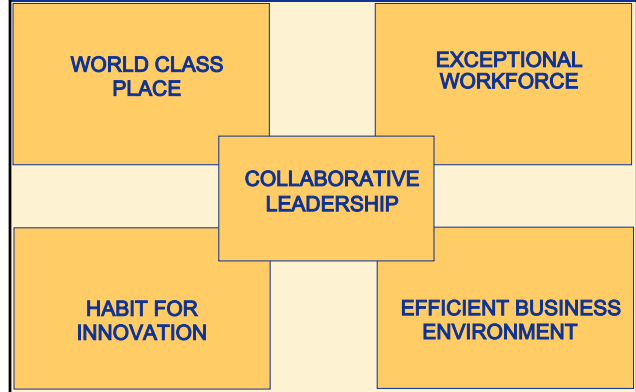
- Cost advantages
- Rising technical capabilities
- Stronger market growth

Source: AT Kearney

OUR REGION'S SPECIALIZED CAPABILITIES

- ✓ Idea generation/concept development
- ✓ New business creation
- ✓ Global business leadership
- ✓ Advanced technology research
- ✓ Cross-disciplinary innovation

OUR COMMUNITY SUCCESS FACTORS



II. Progress Highlights

NEW FOCUS ON ECONOMIC COMPETITIVENESS





San Jose
CAPITAL OF SILICON VALLEY

- Six Vision Themes
- 15 Strategic Initiatives (4 First-Year Priorities)
- 140 Projects (including > 50 GFB2W Council Directives)

PROGRESS HIGHLIGHTS

Economic Development Strategy
Getting Families Back to Work

AUGUST 2004

ECONOMIC DEVELOPMENT IS A CITY-WIDE BUSINESS IN SAN JOSE

- 120 Individuals from 18 City Departments
- Plus Community Partners

Projects	
Completed	33
In Progress	37
Ongoing	68
To Be Started	5

LIST OF PROJECTS and STATUS

APPENDIX
Implementation Projects
Economic Development Strategy/Getting Families Back to Work™ (GFB2W)
A complete list of all projects, organized by Strategic Initiative, identifying which ones are:

- **“Complete”**—project finished
- **“In Progress”**—started implementing this project, and it will be completed at a future date
- **“Ongoing”**—implementation of this project will continue indefinitely, no firm completion date is appropriate
- **“To Be Started”**—implementation of this project has not begun

Strategic Initiative #1: Build a World-Class Airport Facility and Air Services		
GFB2W Directives		
1.1	Reduce commercial aircraft landing fees at the Norman Y. Mineta San Jose International Airport	Complete
1.2	Meet with airline executives to discuss their needs of our airport and develop a strategy to meet those needs	Ongoing
Economic Strategic Projects		
1.3	Develop international flights to Asian and European gateway cities	Ongoing
1.4	Increase the City's understanding of the air service needs of San Jose's Dining Industries	Ongoing
1.5	Design the North Corridor	In Progress
1.6	Extend service 20 miles	Complete
1.7	Continue construction projects that improve access into and out of the airport	In Progress
1.8	Accommodate corporate needs for owned, leased, or fractional shares of corporate jets	Ongoing
1.9	Maintain a diverse base of air carriers	Ongoing
1.10	Develop a public art installation that enables the airport facility to reflect San Jose's vision and distinct characteristics (e.g. global gateway, innovation center), and make a powerful first impression	In Progress

“One List” project detail will be distributed next week.

#3: Develop Strategic Partnerships with SJSU and other Universities to Drive Innovation and Economic Impact

- “Library of the Year” award
- Hospitality-Tourism Training Program
- Lead Small Business Development Center for Northern California
- SJSU Foundation agreement to operate the Bioscience Incubator and Innovation Center
- “Beyond MLK: A Framework for City-University Collaboration”

#4: Evolve and Position Downtown as Unique Creative & Cultural Center of Silicon Valley

- 40 retail, restaurant, and entertainment businesses in 2004
- Supported expansion of Adobe; location of Snap Appliance, Virgin Electronics, Bridge Bank, CB Richard Ellis
- Team San Jose
- "eBay Live" for 2005; International Symposium of Electronic Arts in 2006
- San Jose Museum of Art expansion into the former MLK Library

#5: Support Start-up and Growth of Local Businesses, Small and Large, in Tech as well as Non-tech Fields

- Development agreements: BEA, eBay
- Term sheet: Hitachi Global Systems
- New facilities: Center Beam, Teikoku Pharma, and Pericom Semiconductor
- 146 Enterprise Zone companies
- Local and Small Business Preference Ordinance

#8: Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs

- Opened Bioscience Incubator in June; 2 tenants in already
- 68 industrial retention visits by RDA
- Beshoff Motors Mercedes
- Land conversion framework adopted



IMPLEMENTATION CHALLENGES

- Declining Redevelopment Funding
- Conversion of Industrial Land to Other Uses
- Lack of National/International Identity

OTHER HIGHLIGHTS: Development Review Process

- Established the One-Start Development Center
- Extended/expanded the Special Tenant Improvement program
- Co-located Fire, Public Works, Planning staff in Permit Center
- Revised the Construction and Conveyance Tax Ordinance to provide temporary tax relief for certain Emerging and Driving Industries
- Implemented enhanced service options that provide faster project review turnaround times
- Revised signage regulations to increase flexibility in sign size/location

OTHER HIGHLIGHTS

- Recruited Jet Blue; completed 87/Skyport airport entrance (Strategy #1)
- Provided job placement services at the One-Stop network to 13,000 people/month (Strategy #9)
- Achieved goal of 6,000 affordable housing units in 5 years (Strategy #10)
- Launched modification to North San Jose Area Development Policy (Strategy #11)

NORTH SAN JOSE 2030 VISION

- Initiated by the findings of 2003 Getting Families Back To Work Study Session and the Economic Development Strategy
- Position San Jose for continued economic growth over the next 25 years
- Grow North San Jose into the innovation capital of the world
- Facilitate private investment, retain, expand, and attract driving industries
- Enhance Tax Increment Revenue and General Fund Revenue potential
- Implement and maximize transportation improvements



NORTH SAN JOSE 2030 OBJECTIVES

Create an Urban Corporate Center

- Focus on North First Street
- 600 acre core area
- Up to 20 million square feet of new corporate development
- Create up to 60,000 jobs
- Increase FAR

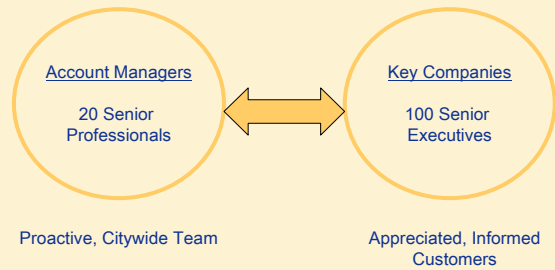
Promote Livability

- 20,000-35,000 new residential units
- Transportation improvements
- Improve transit connections



III. "One Voice" Business Appreciation Findings

CXO-LEVEL RELATIONSHIPS WITH KEY COMPANIES



MET WITH 95 COMPANIES JUNE-AUGUST

High Revenue Impact

- Largest generators of City tax revenue
- Top RDA property assesses
- Companies with strongest growth in tax revenue

"Anchors"

- Largest private-sector employers
- Largest companies by revenue

"Gazelles"

- Fast-growing companies
- Venture-invested

WE ASKED ABOUT.....

Their Industry

- Important trends and challenges?

Our Community

- Feedback on San Jose's "product" (+/-)?
- Priorities for civic leadership?

Their Company

- Likely or desired future in SJ?
- Issues or opportunities we can help with?

INDUSTRY CHALLENGES

- Pressure to control costs remains intense, as does need to justify 'expensive' location
- Difficulty with recruitment and retention (housing, local skills)
- State policy affects margins, flexibility

VIEW OF FUTURE?

- Cautious optimism
- See clear advantages to SV location: fast time-to-market, start-up infrastructure, creative talent
- Emphasis on productivity growth
- Global business model is larger concept than outsourcing
- Expect more, smaller companies

PRIORITIES FOR CIVIC LEADERSHIP

- ✓ Housing: especially for young and new talent
- ✓ Improve communication with companies: especially about cultural opportunities, airport, Downtown, housing/neighborhood types
- ✓ Expand cultural and entertainment offerings
- ✓ Downtown: Kudos on progress, keep it up!
- ✓ Prioritize BART, add shuttle connections from trains/light rail to workplaces
- ✓ Keep up good work improving speed and attitude of development process

PRIORITIES FOR CIVIC LEADERSHIP (Cont'd)

- ✓ Avoid inappropriate residential conversion/location
- ✓ Promote San Jose nationally and internationally to build recognition, counter negative view of Silicon Valley
- ✓ Facilitate collaboration—SJSU + businesses + City
- ✓ Create "sounding board" on policy issues
- ✓ Collaborate on critical legislative issues
- ✓ Ensure balanced approach: value both employers and residents

AIRPORT SUGGESTIONS

- Desired International Destinations: Asian Gateways, European gateways
- Domestic: focused East Coast destinations with more frequency
- Tell us your vision!
- Communicate at the airport—the master plan, San Jose
- Ensure positive attitudes of airport employees

EXAMPLES OF CUSTOMIZED FOLLOW-UP

- Helped coordinate with a regional authority to expedite access to fiber optic service
- Arranged for tour of a City's newly re-aligned permit processing center
- Helped expedite a safer pedestrian cross-walk for a tech CEO with impaired vision
- Connected companies to local banks and hotels
- Helped a CEO step up his nonprofit board service
- Helped several companies access SVWIN training dollars and recruiting assistance

STAFF TEAM INSIGHTS

- “Amazing how much companies will tell you if you just ask”—value of listening
- Value of Citywide integrated approach to employer outreach
- Through follow-up action, can establish trust
- But...importance of consistent City interaction