



Memorandum

TO: MAYOR LICCARDO

FROM: Councilmember Johnny Khamis

SUBJECT: BUDGET DOCUMENT

DATE: May 19, 2015

Approved

Date 05/19/15

RECOMMENDATION

That the following recommendation be enacted:

Proposal

Program/Project Title: ***Make it in San José! Initiative - Waiver of Plan Review Fee and Provision of Expedited Service For all Manufacturing Companies locating to or expanding in San José***

Amount of City Funding Required: **Not-to-exceed \$160,000 for 2015-2016 budget year**

Fund Type (i.e. General Fund, C&C funds, etc.): **General Fund - PBCE**

This change is:

One-time Ongoing

Proposal Description, including anticipated outcomes (describe how change would affect services for San José residents, businesses, community groups, etc.):

Manufacturing companies are a critical part of San José's economy. According to the Bureau of Labor Statistics, manufacturers supply 162,400 jobs in the San José area, and most of these jobs are the good-paying middle-class jobs that are the backbone of our economy. Within the past two years, San José has attracted manufacturing companies from neighboring cities, including Vanderbend from Sunnyvale. Others both started and expanded in San José. The Office of Economic Development provides dedicated resources for manufacturing companies and, in his budget recommendations, Mayor Liccardo has proposed to incentivize manufacturing companies that reuse and rehabilitate old buildings for manufacturing purposes.

Last year, 60 manufacturing companies paid the Plan Review Fee. Forty-two of the 60 paid for the expedited process, and the other 19 went through the regular process. The total amount of fees collected from the 60 companies was \$135,297. I recognize that rarely, if ever, a Budget Document asks for a General Fund subsidy for the Planning Department process, however, San José should do all that it can to streamline the process in order to recruit and retain manufacturing companies. Waiving the Plan Review Fee and providing expedited service will send a positive message to manufacturers that San José recognizes the importance of manufacturing to our economy and to our tax base.

I propose that we allocate \$160,000 from the General Fund for the *Make it in San José!* initiative to cover the costs of Plan Review Fees and expedited service for manufacturers. Last year, with 60 companies paying \$135,297 in total for these services, my proposed \$160,000 will be more than enough to cover costs for the 2015-2016 year. If we spend the entire \$160,000, we would be fortunate because it would mean an acceleration of manufacturing growth in San José.

San José has set aside \$250,000 for the storefront in-fill project and provided other incentives to promote San José to businesses and to assist business owners. Setting aside funding for expediting and completing the planning process for manufacturing companies is consistent with San José's goal of attracting and retaining these businesses.

Manufacturing companies also bring something unique to the table that many commercial businesses do not – sales and use tax revenues. San José collects sales tax on physical items manufactured in San José and sold to customers throughout the U.S. and beyond. Manufacturers also buy equipment on which they pay sales or use tax. Therefore, by having more manufacturing companies here in San José, we grow our tax base.

Funding Source

Essential Services Reserve (\$2.5 million)

Other (Program/Project/Fund):

Department or Organization: **Planning, Building, Code Enforcement (PBCE)**

Department or Organization Contact (list contact information for the individual that certified cost estimates contained within your recommendation):

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