

## **ECONOMIC DEVELOPMENT**

The mission of the Office of Economic Development is to catalyze job creation, private investment, revenue generation, and talent development and attraction.

## OFFICE OF ECONOMIC DEVELOPMENT

(includes the Office of Cultural Affairs, work2future, and the Convention & Cultural Facilities)

The City of San José's Office of Economic Development (OED) leads the City's economic strategy, provides assistance for business success, manages the City's real estate assets, helps connect employers with trained workers, and supports art and cultural amenities in the community.

OED also manages several incentive programs for businesses, among them the Foreign Trade Zone which eases duties and the Business Cooperation Program which refunds companies a portion of use taxes allocated to the City.

OED oversees the non-profit operator of the City's [Convention & Cultural Facilities](#) and agreements for other City and cultural facilities.

Operating expenditures for OED totaled \$9.3 million\* in 2014-15. This was 8 percent less than in the year prior, mainly because of the service delivery changes in workforce development. OED oversees various other funds in addition to its operating budget.

\* OED was also responsible for \$6.6 million of Citywide expenses in 2014-15, including \$1.6 million in property leases where the City is the tenant, a \$1.0 million subsidy to the Tech Museum of Innovation, and \$784,000 for History San José. Also does not include all Workforce Investment Act, Business Improvement District, and Economic Development Enhancement funds and expenditures. The City supported the Convention & Cultural Facilities with \$8.4 million from hotel tax revenues.

### KEY FACTS (2014-15)

Largest city in the Bay Area (3<sup>rd</sup> largest in California, 10<sup>th</sup> in the nation)  
 Unemployment Rate 5.1%  
 Median Household Income \$87,210

Sources: Bureau of Labor Statistics and 2014 [American Community Survey](#)

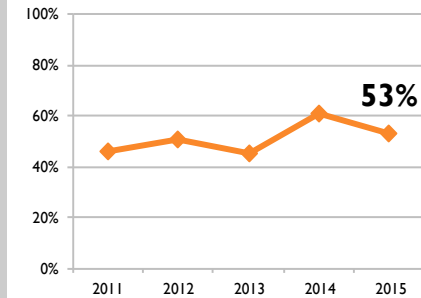
#### NATIONAL CITIZEN SURVEY™

% of San José residents who found the following "excellent" or "good"

San José as a place to work	71%
Shopping opportunities	70%
Opportunities to attend cultural/arts/music activities	52%
Overall quality of business and service establishments	43%
Quality of economic development	42%
Vibrant downtown/commercial area	32%

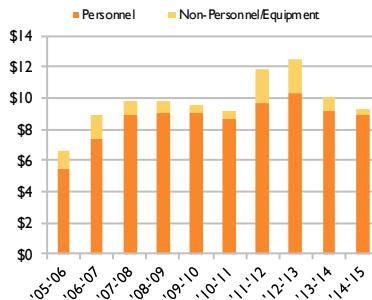
#### NATIONAL CITIZEN SURVEY™

% of San José residents rating employment opportunities as "excellent" or "good"



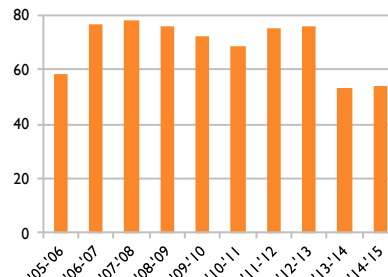
**86%** of San José residents found the overall economic health of San José "essential" or "very important"

### OED Operating Expenditures (\$millions)



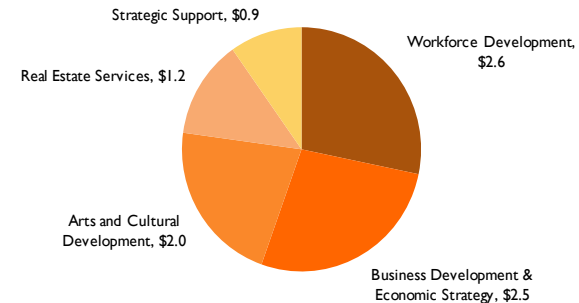
In '11-'12, Real Estate Services was added to OED.

### OED Authorized Staffing



In '13-'14, the transition of work2future client services to the Foundation eliminated 24 positions.

### OED 2014-15 Expenditures by Service (\$millions)



**BUSINESS DEVELOPMENT**

OED promotes business in the City of San José by providing assistance, information, access to services, and facilitation of the development permit process (also see *Development Services in the Planning, Building and Code Enforcement* section).

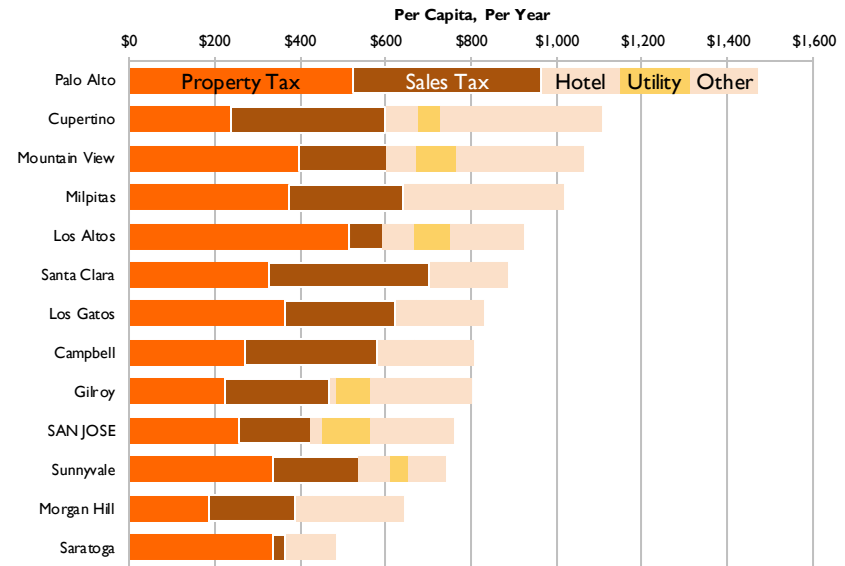
In 2014-15, OED provided development facilitation services to 29 businesses. It also coordinated the [Business Owner Space](#) small business network, through which clients received information, technical/human resources support, or other services from partner organizations like SCORE, a mentoring and training provider to small businesses.\*

OED estimated \$3.2 million in tax revenues (business and sales taxes) generated by companies that received its assistance. Almost \$3 in tax revenue were generated for every \$1 of OED expenditure on business development.

As in previous years, San José received less tax revenue per capita than most of its neighboring cities: its tax revenues were only about \$760 per capita in 2014. Of that, sales tax was only \$170. Furthermore, San José has less than one job per employed resident; that is, more workers live in San José than are employed in San José. In contrast, Palo Alto received \$1,480 in taxes per capita (\$440 in sales taxes) and has a jobs-to-employed residents ratio of about 3 to 1.

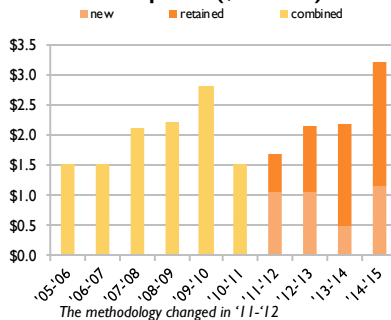
\* For more information on the small business network, see [www.BusinessOwnerSpace.com](http://www.BusinessOwnerSpace.com)

City Comparison of Tax Revenues



Source: State Controller, 2014

Estimated Tax Revenue Generated by OED-assisted Companies (\$millions)



**2010-2015 ECONOMIC STRATEGY**

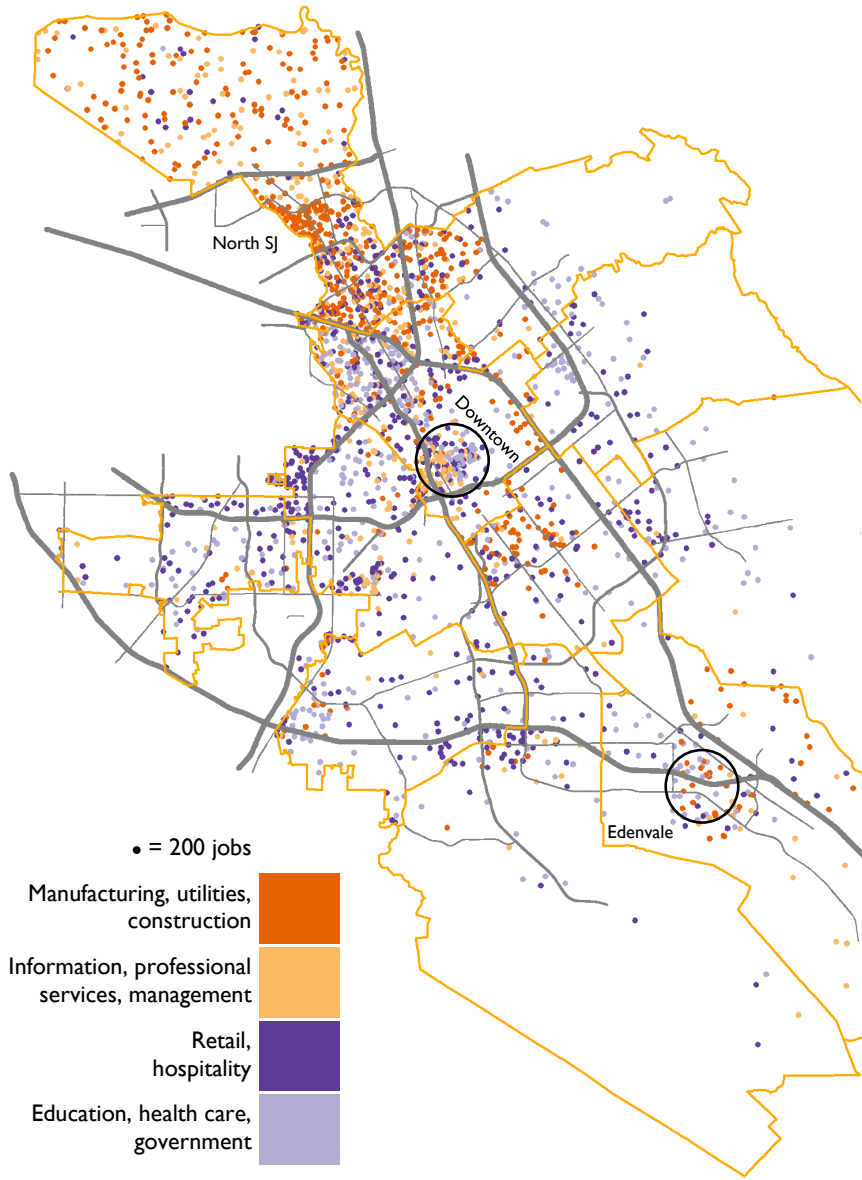
From 2010 to 2015, City departments, with leadership by OED, collaborated to aggressively regain jobs and revenue, and to create an outstanding business and living environment in San José. Accomplishments during the final year of the strategy included:

- The U.S. Patent and Trademark Office moved into offices at City Hall. Business outreach targeted major corporations, high-growth emerging technology industries, retailers, and small businesses to help with relocations, expansions, and retention.
- The City kept low construction taxes for office R&D and other industrial uses, and also reduced North San José traffic fees.
- Hainan Airlines launched direct flights to Beijing. Signature Flight Support broke ground on its Airport westside facility.
- Avaya Stadium opened and the City continued to support signature sporting events such as the Rock 'n' Roll Half Marathon and the Amgen Tour of California. Programming in St. James Park was enabled by grant funding.
- In Downtown, the parking incentive attracted Loring Ward and the Mercury News, and the City encourages high-rise projects with incentives.

Source: Office of Economic Development

# OFFICE OF ECONOMIC DEVELOPMENT

## JOBS

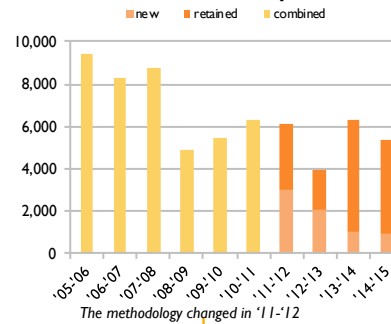


One of OED's main goals is to catalyze job creation. About half of San José's 1 million residents are employed, but only 418,000 jobs are located within the city. San José is the only large U.S. city where more residents commute out to work, rather than *into* the city.

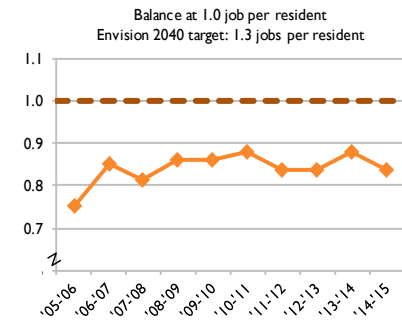
This map shows where jobs are concentrated. Each dot stands for 200 jobs.

Companies and businesses that received OED assistance created an estimated 900 jobs and retained about 4,500 jobs in 2014-15.

**Estimated Jobs Created or Retained by OED-assisted Companies**



**Jobs Per Employed Residents in San José**



Sources: [American Community Survey](#) estimate (2010 and after)  
[Association of Bay Area Governments](#) projection (prior to 2010)

**Facilitating Corporate & Retail Expansion**

Successful efforts in 2014-15 to facilitate corporate and retail expansion/relocation included:

- ABB
- ASML
- BenteK Manufacturing
- Blach Construction
- Dice
- Network Remedy
- Sirota
- Vander-Bend Manufacturing
- Verizon

Source: Office of Economic Development

**NATIONAL CITIZEN SURVEY™**  
52% of San José residents work inside the boundaries of San José

Source: Auditor analysis of U.S. Census, Longitudinal Employer-Household Dynamics, Origin-Destination Employment Statistics (LODES), 2010.  
Dots are exact at the Census tract-level.  
Based on "Where Are The Jobs?" by Robert Manduca

# OFFICE OF ECONOMIC DEVELOPMENT

## WORKFORCE DEVELOPMENT

The City's workforce development program was managed by the [work2future](#) Foundation, serving adults, dislocated (laid-off) workers, and youth. It provided job search assistance, occupational training, and skills enhancement workshops.\* Nearly 4,500 job seekers took advantage of skill upgrades and training programs throughout 2014-15. About 300 business clients received services, including recruitment, lay-off aversion, and business assistance. Several hundred youth participated in summer job programs, including the *San José Works* initiative.

## ARTS AND CULTURAL DEVELOPMENT

The Office of Cultural Affairs (OCA) promotes San José's artistic and cultural vibrancy and supports opportunities for cultural participation and cultural literacy for residents, workers, and visitors. In 2014-15, OCA awarded 83 grants totaling \$3.0 million to San José organizations. Contributing to San José's creative placemaking and high-quality design goals, the public art program reported that it had 237 works throughout San José.

OCA helped facilitate 530 event days in 2014-15 with an estimated attendance of 1.8 million. Large-scale events included the Fourth of July fireworks, downtown farmers' markets, Italian Family Fiesta, Rock 'n' Roll Half Marathon, holiday pop-up retail, the Veterans Day parade, Downtown Ice, Winter Wonderland, Christmas in the Park, the Applied Materials Silicon Valley Turkey Trot, and Dancin' on the Avenue. OCA was instrumental in the attraction of signature events such as the Amgen Tour of California, a professional cycling race.

**NATIONAL CITIZEN SURVEY™**  
**38%** of San José residents attended at least one City-sponsored event

## REAL ESTATE SERVICES

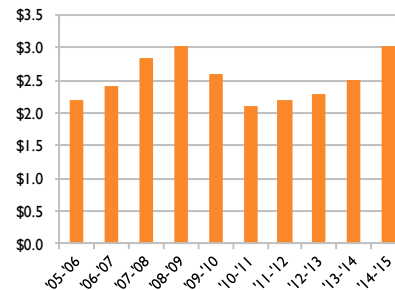
Real Estate Services and Asset Management (RESAM) manages the City's real estate portfolio, provides real estate services to City departments, and represents the City in third-party transactions. RESAM's areas of expertise include acquisition, disposition, surplus sales, leasing, relocation, valuation, telecommunications, and property management. According to OED, RESAM generated nearly \$1.6 million in sales revenue and \$2.0 million in lease revenue in 2014-15.

### Workforce Development Program Results

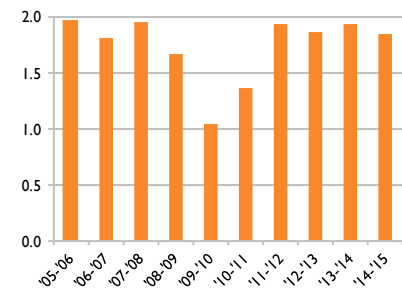
	Number of Participants July '14—June '15	Placed in Jobs Oct '13—Sept '14	Federal Goal	Employed 6 Months after Initial Placement Apr '13—Mar '14	Federal Goal
Adults	3,014	58%	52%	83%	79%
Dislocated Workers	1,174	67%	59%	87%	83%
Youth	272	78%	60%	not applicable	not applicable

\* work2future serves San José, Campbell, Morgan Hill, Los Altos Hills, Gilroy, Los Gatos, Saratoga, Monte Sereno, and unincorporated areas of Santa Clara County

Grant Awards for Arts & Cultural Development (\$millions)



Estimated Attendance at Outdoor Special Events (millions)



### City-owned Cultural Facilities

OCA provided operations and maintenance funds totaling \$3 million from the General Fund to the following nonprofit operators of City-owned cultural facilities:

- Children's Discovery Museum
- History San José
- San Jose Museum of Art
- School of Arts and Culture at Mexican Heritage Plaza
- The Tech Museum of Innovation



Hammer Theatre, Photo: City Auditor's Office

OCA also identified new uses for the Hammer Theatre Center, which culminated in negotiations with San José State University.

## OFFICE OF ECONOMIC DEVELOPMENT

### CONVENTION & CULTURAL FACILITIES

The City's [Convention Facilities](#) (San José McEnery Convention Center, Parkside Hall, South Hall) house exhibitions, trade shows, and conferences. The City's [Cultural Facilities](#) (City National Civic, Montgomery Theater, California Theatre, Center for the Performing Arts) are home to concerts, plays, and other performances. These facilities have been managed by *Team San Jose*, a non-profit, on behalf of the City since July 2004.

Operating revenues quadrupled compared to ten years ago, reaching \$37.3 million. Revenues have increased as a result of bringing new lines of business in-house, such as food and beverage services and event production services. With operating expenses of \$45.7 million (this included building repairs of \$4.7 million), operating losses amounted to \$8.4 million in 2014-15. The facilities relied on support from transient occupancy (hotel) taxes to make up the difference.

In 2014-15, the facilities drew 1.4 million people to 381 events overall. The number of events was still lower than before the economic downturn. Of those events, about 170 were at the Convention Facilities, hosting nearly 900,000 visitors. The Convention Center's occupancy rate (by square footage) was 52 percent, about the same level as in the prior year and within the target range for convention centers of San José's size.

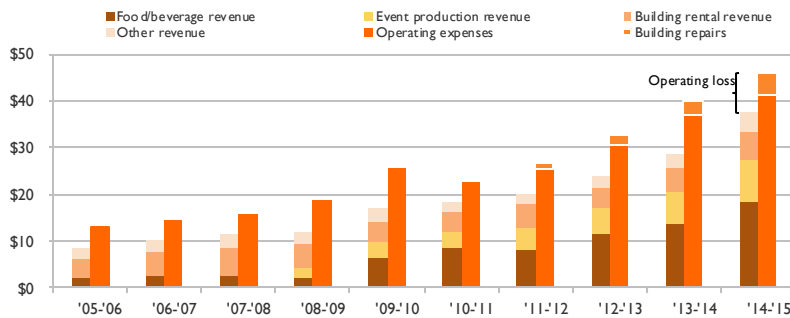
100 percent of responding event coordinator clients rated overall service as "good," "very good," or "excellent," a result consistent with prior years.

City National Civic



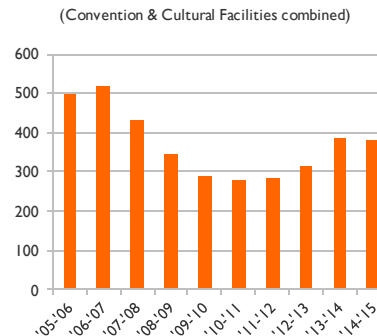
Photo: City Auditor's Office

Operating Revenues and Expenses (\$millions)

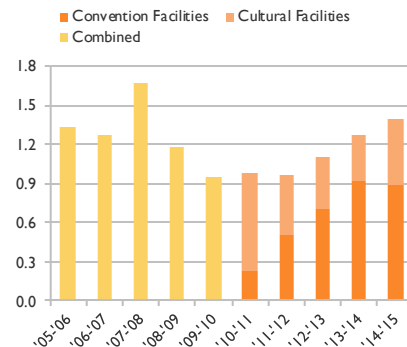


Source: [Audited financial statements](#)

Number of Events



Attendance (millions)



For more information about the Convention and Cultural Facilities, see our [annual performance audits](#) of *Team San Jose*.