COUNCIL AGENDA: 1/31/12
ITEM: 4.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Rose Herrera
Councilmember Sam Liccardo
Councilmember Kansen Chu
Councilmember Ash Kalra

SUBJECT: **CONSTRUCTION TAXES**

DATE: January 27, 2012

APPROVED: Chuck Reed, Rose Herrera, Kansen Chu, Ash Kalra, Sam Liccardo

DATE: 1/27/12

RECOMMENDATIONS

1. Approve staff recommendations accepted by City Council on December 13, 2011 and as described in the January 27, 2012 staff supplemental memo:

   - To establish a 2-year incentive program from March 2012 to March 2014 to partially reduce the collection of the Building and Structures Tax and the Construction Excise Tax for Office, Research and Development, Data Centers and Solar Photovoltaic Systems, so that those uses would be eligible to pay the Industrial tax rate of 1% of valuation rather than the Commercial tax rate of 4.5% of valuation.

2. Direct the City Manager to return to City Council during the budget process with a plan to include Office, Research and Development, Data Centers and Solar Photovoltaic Systems as Industrial Uses in Title 4 beyond the March 15, 2014 sunset date.

BACKGROUND

This proposal responds well to the discussions that the development community has had with City staff to create a partnership to enhance the competitiveness of San Jose with the on-coming job growth and real estate market recovery. We endorse staff recommendations because it sends a signal that we understand that value matters and that San Jose is competing as best we can for the investments that driving industry corporations will no doubt be making as the economy improves.