

**ECONOMIC DEVELOPMENT PLAN
UPDATE 2008-09**

July 22, 2008

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EXECUTIVE SUMMARY

In July of 2007, the City of San Carlos ("City") adopted an Economic Development Plan ("Plan") that was designed as a business plan to guide investment decisions and economic development initiatives. The City is now embarking on its second year of implementing formalized economic development initiatives. This document is the 2008 Update to the Plan ("Update"), and serves as a formal opportunity to review progress made on economic development efforts and to update the Plan based on experience gained in the last year.

To date, the City's efforts have focused on initiating several major priority projects intended to invigorate the business community, stimulate the local economy, and increase City revenues. The following projects were major achievements for the City during its first year of the economic development strategic program.

- The Economic Development Partnership was formed to streamline cooperation between the City and other interested partners, ensuring better organization of efforts and managing special projects.
- The City hired an Economic Development and Housing Manager to implement economic development efforts.
- The San Carlos Redevelopment Agency issued \$7 million in new bond money to invest in the San Carlos Redevelopment Project Area.
- The City produced a book highlighting East Side Opportunity Sites to identify key locations for potential redevelopment and attraction of new businesses.
- The anticipated General Plan Update process was put into action.
- Wheeler Plaza and South Plaza were studied to provide insight on the best and most feasible redevelopment options.
- The City solicited interest from the hotel and real estate community, and found that several hoteliers were interested in the development of a new hotel at the Holly Street and Industrial intersection.

Building upon the last year of activities, the following projects will continue to be priorities for the City, based on input from elected officials, community partners, and staff interactions with the real estate community. These activities are considered to be catalyst projects directed at improving economic vitality through direct and indirect impacts on the community. The City intends to dedicate staff time, and possibly financial resources, to the following activities:

- Development of a new hotel at a Landmark site,
- Seeking out opportunities for East Side investment,
- Facilitating strategic improvements at Wheeler Plaza,
- Continuing to work with the property owner and developer of the Transit Village to ensure a compatible and complementary development, and
- Reinstating the façade improvement program to help property owners and tenants enhance the appearance of storefronts.

The following public improvement projects are designed to facilitate improvements in circulation and pedestrian connections, as well as accommodate new growth. Capital investments will focus on the following:

- El Camino Real corridor improvements,
- Holly Street/Highway 101 interchange,
- Holly Street widening, and
- Brittan Avenue widening.

As economic development is an evolving endeavor due to fluctuations in the marketplace, the City is conducting this Update to review and revise the Plan to ensure that it reflects and responds to current market conditions, and equally important, the community's collective vision as to how to accommodate these conditions. As a result of the last year's activities, new insight has been gained into the ways in which San Carlos can improve its economic development efforts.

The following strategies are proposed to be added to the Plan as a part of this Update:

- Create a marketing strategy and program to attract business and consumers to San Carlos,
- Establish benchmarks for measuring economic development impacts,
- Develop and implement a strategy for communicating economic development to the broader community,
- Proactively recruit venture capital companies and technology startup firms through the investment community and local universities,
- Study the feasibility of development and land assembly with Agency assistance,
- Activate development opportunities for the Landmark Hotel site, and
- Extend a recent customer survey used by the Building Division survey to learn more about how the City can improve the services of the Community Development Department.

Additionally, this Update also includes some initial goals for benchmarking economic development progress. The following goals have been set for monitoring the financial benefits of the activities and strategies included in the Update.

- For the next five years through 2013, the average annual increase of taxable sales in San Carlos will be one percent higher than the county as a whole.
- For the next five years through 2013, San Carlos will have an average annual increase in assessed value that is one percent higher than the county average.
- Within five years (2013), the City will add 150 hotel rooms and generate at least \$400,000 in additional transient occupancy tax annually.

The following document provides further detail on the City's accomplishments, future activities, and strategic projects to invigorate the business community and maintain quality of life for San Carlos residents, businesses, and property owners.

INTRODUCTION

In July of 2007, the City adopted the Plan to steer economic development activities and guide strategic investment decisions. The Plan was based on a set of goals supported by a series of objectives and strategies, each directed at one of five areas: City operations, the downtown, the El Camino Real Corridor, the East Side, and the Harbor Industrial Area. Strategies were action based, and intended to be addressed in a relatively short period of time, from one to three years.

The City embarked on this proactive economic development effort in 2006, as it was faced with the increasingly difficult task of funding municipal services such as parks and public safety. While General Fund revenues remained relatively constant, costs were increasing dramatically. As a first step, a Market Study was commissioned to determine possible capture rates for forecasted growth.

The Market Study, performed by ERA in 2006, found that in the next 20 years, the City could feasibly capture significant new commercial space as shown in the table below. The next step in the process was to determine how this could be achieved. After working closely with City staff and elected officials, reviewing feedback from an extensive public outreach program, and further study of the marketplace, the Plan was drafted and adopted to focus City initiatives on economic development.

Estimated Capture	Exhibit 1		
	2006-2015	2016-2025	Total
Hotel Rooms	250	350	600
Retail (Gross SF)	230,000-240,000	250,000-260,000	480,000-500,000
Office (Gross SF)	50,000-80,000	270,000-450,000	325,000-530,000
Research & Dev (Gross SF)	40,000-50,000	340,000-400,000	380,000-450,000

Source: ERA 2006 Market Study

The initial year of implementing an economic development program can be the most challenging, as it often requires City staff, officials, and community partners to adjust the way they consider and prioritize their activities. The first year is also often focused on laying the groundwork for more active strategies in years to come. However, San Carlos has dedicated itself to economic development and has made significant progress on most of the first year strategies and had some advancement on nearly all of the three year strategies. Thus, the approach for the coming fiscal year is to leverage both the good momentum of the last fiscal year as well as some newly available resources including a new Economic Development and Housing Manager, an economic development partnership workgroup, and additional redevelopment bond revenues.

Now entering its second year of Plan implementation, the City has decided to evaluate progress and establish economic development priorities on an annual basis. Therefore, as a part of the ongoing effort to invigorate the business community, this Update has been drafted to track progress and revise the proposed strategies as needed. As with development of the Plan, the Economic Development Advisory Commission ("EDAC") has provided insight and feedback on the strategies included in the Update. In 2007, the EDAC adopted five priority projects to recommend to the City Council, and plans to continue prioritizing current strategies in the capacity of their role as an advisory group, as directed by the Council. This Update provides information on the accomplishments of 2007-08, gives

a brief status report on each of the strategies contained in the Plan, and details several strategies and tasks to be added to the Plan.

MAJOR ACCOMPLISHMENTS IN 2007-08

The City and community have actively embraced economic development initiatives and worked diligently in 2007-08 to see plans come to fruition. The following section details the major accomplishments of the fiscal year.

ECONOMIC DEVELOPMENT PARTNERSHIP

Based on the Plan recommendations, an Economic Development Partnership (“EDP”) was formed in July 2007. The EDP is made up of representatives from the EDAC, the Chamber of Commerce (“Chamber”), the Harbor Industrial Association (“HIA”), and City staff. The purpose of the EDP is to facilitate economic development activities to ensure that each individual group is not duplicating the work of another group, as well as to shepherd the economic development process in the early years of active implementation. The EDP now meets monthly to prioritize activities and coordinate actions, most recently working to develop a marketing strategy for the City.

ECONOMIC DEVELOPMENT AND HOUSING MANAGER POSITION

The City was without an Economic Development and Housing Manager for over a year, resulting in responsibilities for the San Carlos Redevelopment Agency’s (“Agency”) activities and economic development initiatives to be diffused over several positions. The position was finally filled in August 2007 and made part of the recently formed Community Development Department, allowing for closer oversight of implementation activities. One of the major challenges has been to align economic development initiatives with Agency activities as much of the commercial areas in the city are also within the Redevelopment Project Area (“Project Area”). This Update, in conjunction with the Mid Term Review of the Agency’s Five Year Implementation Plan, has provided an opportunity to synchronize strategies allowing the community to better understand the greater picture of encouraging private investment in the business community, as well as to highlight how the City and Agency can best generate a return on investment with redevelopment funds.

2007 BOND ISSUE

In December 2007, the Agency utilized the Association of Bay Area Governments (“ABAG”) Tax Allocation Revenue Bond program to refund two existing tax allocation bonds at a lower interest rate. In addition to refunding the old bonds, the Agency was also able to bond for more money. The 2007 bond resulted in \$7 million of new money, giving the Agency the ability to invest in more projects than previously thought feasible. As a part of the Mid Term Review of the Agency’s Five Year Implementation Plan, the funds were allocated to priority projects such as infrastructure improvements along Holly Street, Brittan Avenue, and El Camino Real, as well as for potential investment in Wheeler Plaza and a hotel development at a Landmark Site.

EAST SIDE OPPORTUNITY SITES

In January 2007, the City retained M Metropolitan Planning Group to analyze sites on the East Side and identify locations for potential redevelopment for mid to large plate retail and hotel use. The result was a book of opportunity site locations that included specifics such as current tenants, owners, parcel sizes, and zoning. The book will be used to help real estate brokers and developers locate sites for businesses looking to establish themselves in the area, but more importantly, to show the development community that San Carlos is interested in doing business.

GENERAL PLAN UPDATE

In 2007, the Community Development Department began to update the General Plan. The General Plan is the principal policy and planning document that will guide land use strategies for the next twenty years. The process is lengthy, requiring about two years to complete, but during the process, staff will review existing land use policies to evaluate their usefulness and applicability to the current market and community desires. This allows an opportunity to remove or revise any potential threats to fostering thriving business districts and economic growth.

WHEELER AND SOUTH PLAZAS

The City retained architecture firm Van Meter, Williams, Pollack to perform a massing study for Wheeler Plaza, creating several different possible re-use scenarios ranging from the construction of a parking garage with a small amount of retail on the ground floor to complete redevelopment of the block. Economic consultant RSG then evaluated the fiscal impacts of each scenario, weighing the feasibility of the project. The consultant team presented the findings to the City Council for discussion and comment. Staff then went forward to "ground truth" the concept with local developers, who were generally enthusiastic about the project. Based on this feedback, Council provided staff with direction to move forward in retaining a potential developer for the site. A similar economic analysis was performed for South Plaza, but without the architectural study. A conceptual re-use scenario of the site, including development of additional retail and housing units, was prepared to illustrate the opportunities that may be financially feasible at South Plaza and the former Bell Market site and presented to the City Council.

LANDMARK HOTEL

Development of a new hotel was named as a top priority by both the City Council and the EDAC when the Plan was created. Hotels provide revenues to cities through transient occupancy taxes, which can be substantial. However, San Carlos also lacks a full-service hotel with a restaurant and meeting space, so patrons that require those amenities must go elsewhere. Staff recently opened discussions with some hotel developers to gauge interest in locating a hotel in San Carlos with the right mix of amenities and found them receptive to the idea, making this a focal point for the 2008-09 fiscal year.

PRINCIPAL ACTIVITIES 2008-09

City officials, staff, and community partners intend to focus their activities during the 2008-09 fiscal year on the projects detailed below.

OPERATIONAL ACTIVITIES

The following three activities are intended to improve the vitality of the San Carlos business community and eventually, measure that success. All three of these activities are new additions to the City's strategic list of activities.

Marketing Strategy

The EDP, the Chamber, and the EDAC have expressed a deep interest in proceeding with a city-wide marketing strategy to attract more businesses and patrons. Marketing programs can be powerful tools to publicize the strengths of an area, particularly when a community would like to focus on certain niches such as bio-technology or green building materials as San Carlos does. The City, with the support of the EDP and other partner groups, intends to develop a new marketing strategy during 2008-09, generally following the steps described below.

- Define the focus of the marketing campaign, the target audience, timing, and preferred options.
- Contact San Carlos businesses owners and compile information to develop a business database. The database will be used to identify trends and may later be used to solicit responses to annual surveys focused on the business climate to measure the success of the economic development program.
- Request information from marketing firms to determine costs associated with preferred programs and evaluate feasibility.
- Present preferred options and associated costs to the City Council and proceed as directed.

Prepare Timeline and Benchmarks

A key to maintaining momentum for economic development initiatives is to show improvement. Monitoring and reporting on progress over the years will enable the community to see the value the programs and projects funded in part by the City and Agency. The Plan and Update are generally based on a three-year timeline which aligns with the Council's strategic planning goals and maintains a focus on immediate needs. During the 2008-09 fiscal year, the EDAC and staff intend to develop benchmarks for measuring economic development impacts and a long-term timeline detailing when projects may come to fruition. Benchmarking may include a variety of measurements, including jobs growth, the amount of affordable housing, changes in sales tax revenues, changes in property values and tax increment revenues attributable to redevelopment activities, and improvements in quality of life due to environmentally friendly improvements or diversification of commercial offerings. Over time, the benchmarks and timeline will allow for an expanded discussion on City Council priorities and investment strategies, and will be identified in the annual update to the Plan.

Develop a Community Communication Plan

As the fundamental purpose of economic development is to increase private investment in a community, the most successful strategies are those that are championed by the community itself, not city staff or elected officials. The EDAC has initiated development of a plan to engage the public on economic development needs and strategies to garner support

for City and Agency activates. Local champions supporting City and Agency efforts and a track record of public outreach leads to sustained, long term investment in economic development.

CATALYST PROJECTS

Based on Plan recommendations and priorities created by the Council, the EDAC, and the EDP, the following projects are considered to be catalyst projects, using key sites and activities to spur business attraction and other private investment activities. The groundwork was laid for most of these projects during 2007-08, allowing the City to press forward on implementation.

Landmark Hotel

San Carlos has identified two Landmark Sites, located respectively at the northeast and southeast corners of the Holly Street and Industrial Road intersection. The southeastern landmark site is about 6.5 acres in total, divided into 5 parcels with four different owners, while the northeastern landmark site is two parcels totaling about 3 acres. The Agency currently owns one of the two parcels. Having already spoken informally with hoteliers and real estate brokers and found them receptive to both sites, the City can now move forward with a more formal feasibility study and potential recruitment of a hotel product that fits the community. In 2008-09, staff intends to take the following steps.

- Perform an economic feasibility analysis for a three to four star hotel project of approximately 200 rooms with some amenities such as conference or meeting space and a restaurant.
- Approach property owners to determine interest in participation.
- Consider tools and strategies the City and Agency can use to facilitate land assembly and development.
- Based on the feasibility analysis and owner interest, seek direction from Council to solicit development proposals and select a hotelier and developer.
- If applicable, issue a Request for Qualifications.
- Match the selected developer with the property owners as needed.

East Side Opportunity Investment

Staff plans to continue to recruit businesses to the East Side, HIA, and El Camino corridor. In addition to maintaining relationships with local brokers, staff will utilize the opportunity sites analysis completed in 2007 as a basis for marketing available sites and potential reuse opportunities to new businesses. Where feasible, the City or Agency will take the opportunity to work with the property owners and the development community to encourage private investment. Agency assistance will be on an as-needed basis as allowed by the Five Year Implementation Plan and may include right-of-way improvements, traffic control improvements, negotiation of development agreements with property owners and developers, business relocation assistance, environmental mitigation, and land assembly.

Wheeler Plaza Development and Improvements

Wheeler Plaza has the potential to be a true catalyst project for the downtown, invigorating the area by adding new housing, retail, restaurant, and/or public space. Based upon activities to date, the Council has given staff direction to move forward selecting a potential developer for a reuse project at Wheeler Plaza. Wheeler Plaza is within the Project Area, thus potential housing production at the site would also increase the production of

affordable housing in compliance with California Redevelopment Law. During the 2008-09 fiscal year, staff intends to take the following steps:

- Conduct community outreach, particularly to neighboring property owners, determining their needs and interests as well as who is willing to participate in the project. Consult with them to develop parameters for property sale, owner participation agreements, or other arrangements that secure their partnership.
- Create and issue a request for qualifications process that will be conducted on an electronic basis, supporting the City's green initiatives.
- Determine the most qualified candidate(s) and move forward with development concepts and negotiations.

Transit Village Development

The Transit Village project is pivotal to many of the strategies contained in this Update. Its development has spawned renewed interest in the El Camino corridor, leading to roadway and streetscape improvement projects. Located in the Project Area, the development will not only provide more housing types for residents but also affordable housing units in compliance with California Redevelopment Law. As a transit-oriented development, it also emphasizes the community's desire to promote green living. Finally, the development can function as a catalyst site to attract patrons to San Carlos, increasing sales tax revenues and enabling business retention. Given these many factors, staff will continue to work closely with the developer and property owner to ensure a quality project.

Façade Improvement Program

A façade improvement program can be an important catalyst for economic development in aging cities. A façade program would help property owners and tenants improve the appearance of buildings along the City's main commercial corridors. The Agency would provide financial assistance in the form of a loan or grant to businesses and property owners that are willing to invest in façade improvements themselves. The funds would augment owner/tenant contributions. The program would result in a collection of buildings that form an inviting environment and greatly increase the desirability of the location, in turn potentially leading to higher lease rates and property values, greater pedestrian traffic, increased tax revenues, and lower real estate vacancy rates. The program would also reflect a high level of commitment to architectural and urban design principles that create cohesive and long lasting commercial centers.

PUBLIC IMPROVEMENT PROJECTS

Public improvement projects are the backbone of a redevelopment agency's work, allowing public investment in capital projects to spur private interests. By alleviating safety hazards, increasing pedestrian connectivity, and improving traffic access to commercial areas, the Agency ameliorates blighting conditions and makes the Project Area a more inviting place to do business. Economic development initiatives can also rely on capital projects to make a city more competitive in the regional market to attract and retain high-quality commercial uses and jobs. The following capital projects will address identified obstacles to attracting businesses such as mobility and access, and will be overseen by the Public Works Department.

El Camino Real Corridor Improvements

The El Camino Real improvements will fund infrastructure, streetscape and pedestrian safety improvements along the corridor, complementing the development of the Transit Village. This project is intended to increase the desirability of locating a business in the area

as well as to enhance pedestrian connectivity to other commercial areas of the city, encouraging people to patronize nearby businesses.

Holly Street/Highway 101 Interchange

This project will widen the east bound to north bound on-ramp loop to two lanes, eliminate north bound to west bound off-ramp loop, widen north bound off-ramp to two lanes, and install a traffic signal for west bound traffic. Increased capacity at this interchange will improve traffic flows on Holly Street and Industrial Avenue, which is vital to attracting businesses and patrons to San Carlos.

Holly Street Widening

The Agency will widen east-bound Holly Street approaching Industrial Road to increase the length of the three-lane segment from 115 feet to 320 feet. This increases the stacking potential to complement the Holly Street and Highway 101 interchange improvements and allows the release of more vehicles out of San Carlos at its most vital access point.

Brittan Avenue Widening

The Brittan Avenue Widening will add a dedicated left-turn lane eastbound approaching Industrial Road. Brittan Avenue provides access to and from Highway 101, and is located near some of San Carlos' largest retail developments. Like improvements to Holly Street, increased access to Highway 101 will benefit commercial and residential uses alike by increasing traffic circulation.

BENCHMARKS, MEASURES, & GOALS

Based on the desire to track progress, this section of the Update incorporates a discussion of some measures for strategic financial planning to help the community evaluate the value of economic development and the fiscal impacts many of these strategies may have over time. As part of its ongoing resource management effort, the City annually evaluates City and Agency financial resources. During the 2007-08 fiscal year, the City anticipates receiving:

- \$6.4 million in property tax revenues,
- \$6.8 million in sales tax revenues including triple flip revenues¹,
- \$0.6 million in transient occupancy tax,
- \$9.4 million from other revenue sources, and
- \$2.4 million in property tax increment net of fiscal mitigation payments to other taxing agencies and statutory housing set-aside to the Agency.

A large portion of the Agency tax increment revenues will be dedicated to economic development program implementation, due to the significant overlap between the commercial areas of the city and the Project Area.

A critical priority for the City is to increase revenues to ameliorate discrepancies between municipal revenues and expenditures. Increased revenues will help fund basic municipal services such as parks and recreation, public safety, and will also be reinvested in economic development initiatives to ensure continued progress. General Fund revenues can be increased from three sources without changes to taxation levels: sales tax, transient occupancy tax ("TOT"), and property tax. Sales tax revenues can increase based on more sales from existing retail stores if more patrons shop in San Carlos, and if new retail uses are added to the city. The same is true of TOT, where an increase in hotel guests would provide more TOT, as could more hotel rooms. Finally, property tax revenues, including tax increment revenues in the Project Area, increase when properties are reassessed due to sale or improvements. While property turnover does result in property tax revenue growth, it is only indirectly encouraged by this Update in that the City can and should facilitate matching willing sellers with willing buyers where appropriate.

FORECAST FOR REVENUE GROWTH

The following five year projection shows expected growth in property tax, sales tax, and transient occupancy tax and illustrates how each contributes to the General Fund. The forecast is intended to be conservative. It is based on input from City finance staff as well as other research on fiscal projections, and considers historical trends. The following assumptions are made.

- Property tax revenues are increased annually at 5 percent.
- Sales tax revenues are increased at 2.75 percent and include triple flip revenue. In 2008-09, an additional \$200,000 in revenue is included based on the addition of the Marketplace and the new Ross store.

¹ As outlined in the Revenue and Taxation Code Section 97.68, a part of the 2004 State budget package included a mechanism to fund the state's economic recovery bond program with a ¼ cent of sales tax, commonly known as the "Triple Flip", where the local Sales and Use Tax rate is reduced by ¼ cent. This ¼ cent is used to repay the economic recovery bonds. Cities and counties are then provided with ad valorem property tax revenues in lieu of these revenues.

- TOT revenues are increased annually by 4 percent. In 2012-13, an additional \$200,000 in revenues are included to illustrate the impact of a new hotel opening at a Landmark site on January 1, 2013.
- All other revenues are increased annually by 2 percent.
- Expenditures for salaries and benefits increase 4.2 percent per year.
- Operational expenditures increase 3 percent annually.
- Expenditures for capital outlay increase 3 percent annually.
- Fire protection expenditures increase annually by 5 percent.

Exhibit 2 below illustrates the expected increases in sales tax, property tax, and TOT, the municipal revenue sources most closely connected to economic development. Revenue sources not shown include fees for service, fines and forfeitures, licenses and permits, and vehicle in-lieu fees. Please note that the revenues are shown cumulatively, i.e. in 2007-08, property tax *plus* sales tax *plus* TOT (“ED Revenues”) equals approximately \$14 million in revenue. In 2012-13, ED Revenues are projected to equal \$17.4 million.

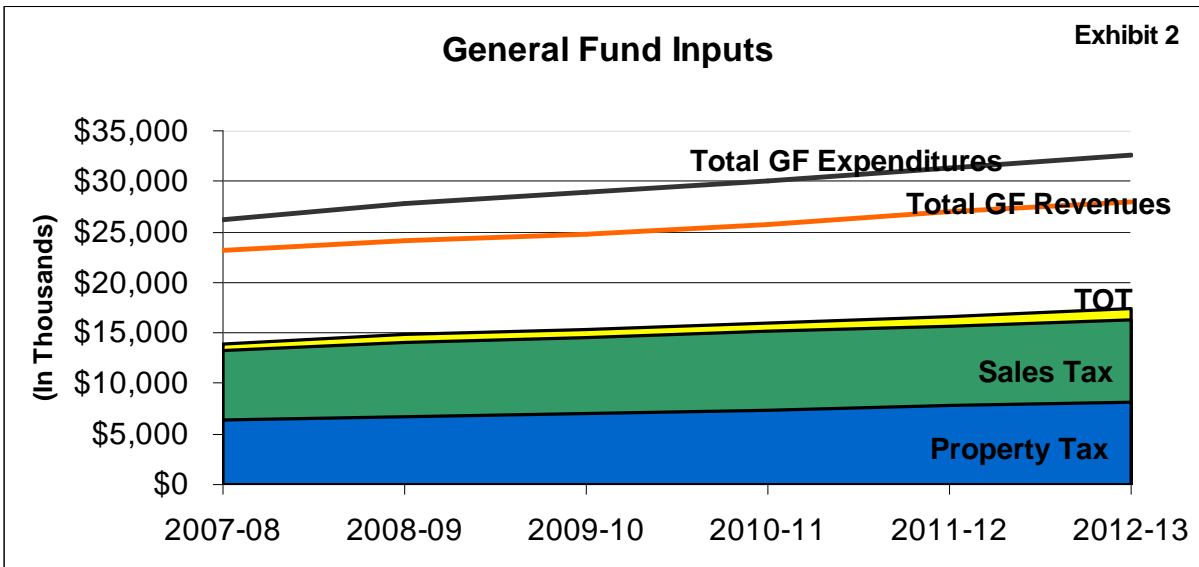
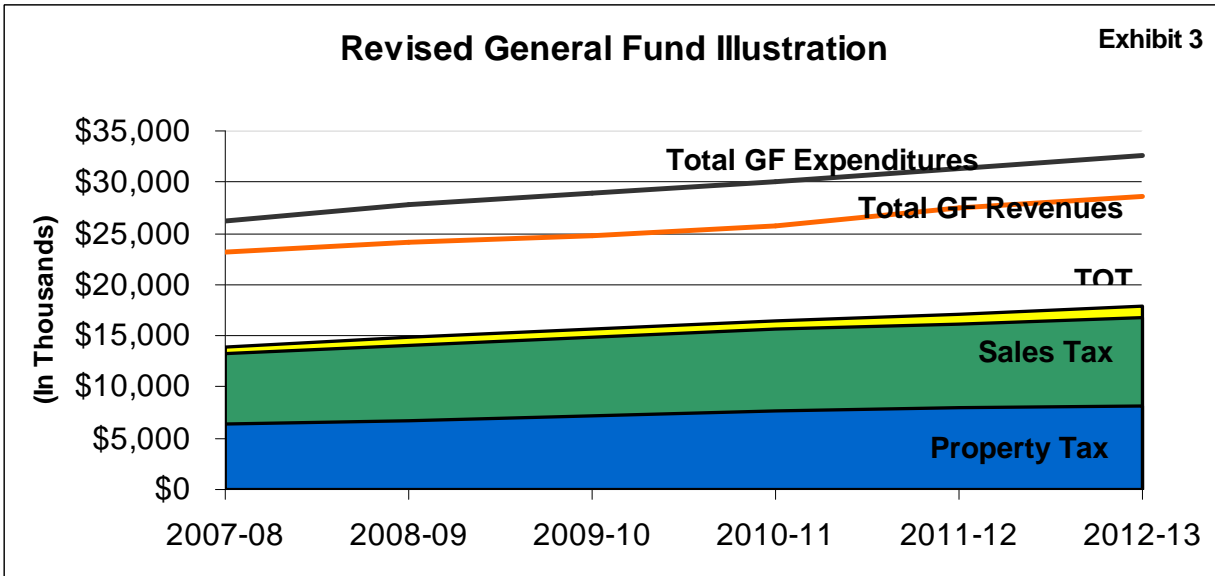


Exhibit 2 also illustrates the challenging nature of city finances. Historical trends indicate that expenditures increase faster than revenues. Thus, despite the addition of new sales tax and hotel uses, rates of increase for revenues still do not outpace the rate of expenditures.

By 2012-13, ED Revenues are projected to have grown by \$3 million, the projected general fund shortfall for 2012-13 is approximately \$4.5 million. To fill this gap, the City would need to have a greater annual increase in revenues. Exhibit 3 below shows the same projection, but assumes a 4 percent annual increase in sales tax, a 7 percent annual increase in property tax, and a 7 percent annual increase in TOT after 2008-09.



In this scenario, ED Revenues equal approximately \$17.9 million in 2012-13, reducing the General Fund deficit to \$4 million, but such an increase may be challenging within this time frame given the current economic climate nationwide.

PROJECTED CITY AND REDEVELOPMENT AGENCY FINANCIAL RESOURCES

During the next fiscal year, the City intends to embark on a process to determine how it can better evaluate and project impacts of economic development in the future. For the purposes of this Update, some basic benchmarking data is included as a part of the overall development of this objective. Future economic development plan updates may include:

- Vacancy and rental rates for commercial square footage,
- Number of hotel rooms,
- Number of housing units developed,
- Number of jobs provided,
- Number of new businesses,
- Population changes,
- Miles of improved or repaired roads, or
- Other environmental or community improvements.

For the purposes of this Update, the following exhibits have been constructed to illustrate revenue trends in San Carlos and in comparison to neighboring communities.

Sales Tax

The City’s General Fund receives income equal to one percent of all taxable transactions in San Carlos through sales tax and triple flip revenues. Based on annual reports from the State Board of Equalization, it is evident in Exhibits 4 and 5 that the economic downturn in the early part of the decade led to decreasing sales tax revenues for several years. Like many of its neighbors and the county as a whole, San Carlos is still recovering. However, taxable sales have increased in San Carlos since 2004, going up 11 percent between 2003 and 2006.

The historical trending shows that even with a strong taxable sales base, the greater market economy will have the greatest impact on revenue growth. Therefore, benchmark goals for San Carlos’ sales tax revenues should be set relative to countywide performance.

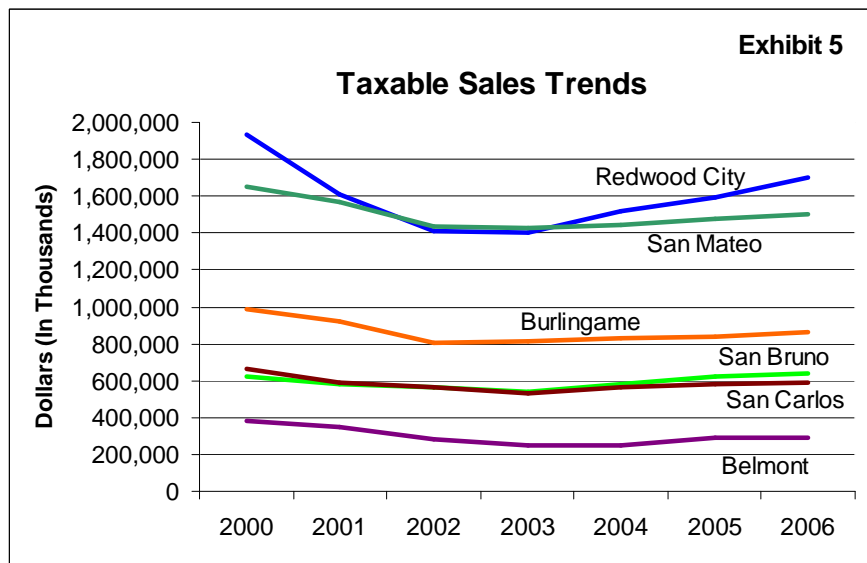
GOAL: For the next five years through 2013, the average annual increase of taxable sales in San Carlos will be one percent higher than the county as a whole.

Annual Percent Change in Taxable Sales							Exhibit 4
	2001	2002	2003	2004	2005	2006	Average Annual Change
Belmont	-7.83%	-20.05%	-12.32%	2.05%	14.87%	2.38%	-3.48%
Burlingame	-6.65%	-12.86%	1.74%	1.09%	1.54%	2.64%	-2.09%
Redwood City	-16.57%	-12.54%	-0.32%	7.99%	5.07%	6.89%	-1.58%
San Bruno	-6.30%	-2.40%	-5.09%	7.89%	7.10%	2.39%	0.60%
San Carlos	-11.28%	-3.78%	-5.81%	5.10%	3.03%	2.67%	-1.68%
San Mateo	-5.09%	-8.43%	-0.76%	1.41%	2.20%	1.63%	-1.51%
County Average ¹	-8.43%	-9.68%	-2.21%	3.96%	5.45%	3.61%	-1.22%
S.C./County Avg Comp ²	-2.85%	5.90%	-3.60%	1.14%	-2.42%	-0.94%	-0.46%

¹ Includes all taxable transactions in San Mateo County

² Compares San Carlos values to County average

Source: California State Board of Equalization



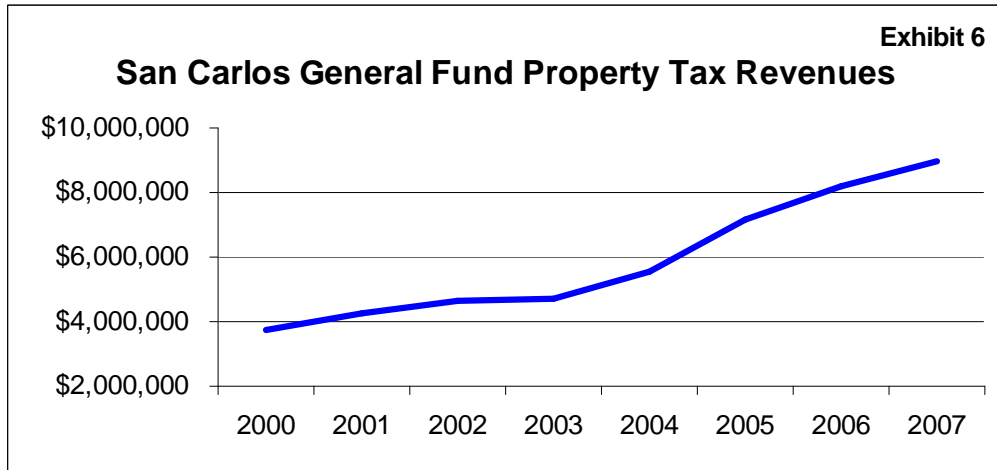
Property Tax and Tax Increment

Like sales tax, property tax is a significant revenue source for the City. Exhibit 6 shows the growth of General Fund property tax revenues in San Carlos since 2000. Revenues more than doubled between 2000 and 2006, reflective of the real estate boom of recent years. Within the Project Area, base year property tax revenues are received by the General Fund, but the incremental property taxes (taxes associated with assessed value in excess of the base year value) are directed to the Agency. Exhibit 7 illustrates the Agency's property tax increment revenues, which are shown net of pass through payments to other taxing entities and the statutory housing set aside. Changes in state law caused revenues to decrease for a time due to payments imposed on all redevelopment agencies to the Educational Revenue Augmentation Fund, though revenues are trending upward again.

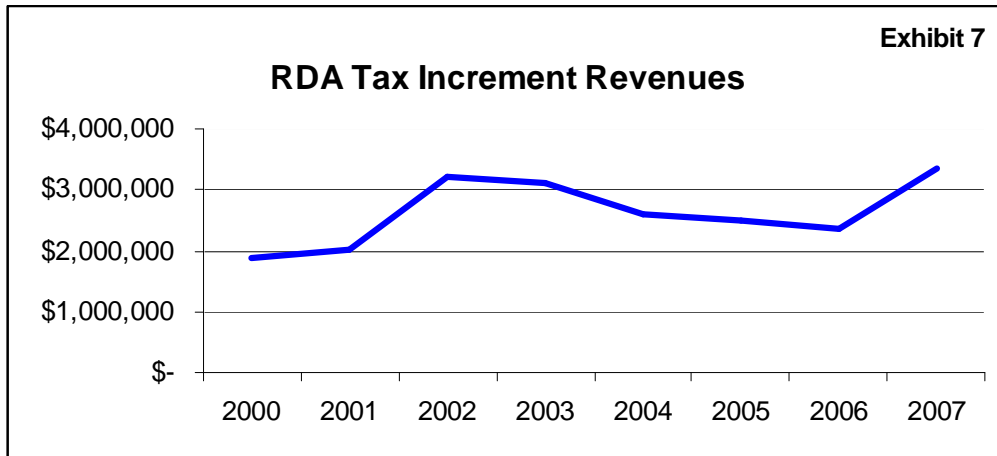
New development and redevelopment of properties in the Project Area can significantly increase property tax increment in the coming years. In particular, the Transit Village may increase net property tax increment by about \$370,000 in 2012-13. Other projects discussed in this Update, such as the Landmark Hotel and Wheeler Plaza, would also contribute to increased tax increment, allowing the Agency to continue to ameliorate blighting conditions, encourage private investment, and spur more economic growth.

It is difficult to compare property tax revenues with other communities, as each city has its own property tax sharing agreement with the County of San Mateo, and each city may or may not have a redevelopment project area, where portions of property tax revenues are redirected to a redevelopment agency. Thus, as shown in Exhibit 8, data from the County Assessor compares rates of growth in assessed value in San Carlos and other jurisdictions. The City's average annual growth is typical compared to several other cities as shown, and just slightly less than the county average. It should be noted that changes in assessed values tend to lag behind economic cycles by a few years.

GOAL: For the next five years through 2013, San Carlos will have an average annual increase in assessed value that is one percent higher than the county average.



Source: City Comprehensive Annual Financial Statement



Source: City Comprehensive Annual Financial Statements. Revenues are shown net of pass-through payments to taxing agencies and housing set-aside.

Exhibit 8

Annual Change in Value of Assessment Roll								Average Annual Change
2001	2002	2003	2004	2005	2006	2007		
Belmont	9.10%	4.83%	7.84%	6.74%	8.51%	8.05%	6.58%	7.38%
Burlingame	9.32%	4.39%	3.33%	6.82%	6.80%	8.63%	7.13%	6.63%
Redwood City	17.17%	7.04%	1.37%	3.81%	4.88%	7.84%	8.34%	7.21%
San Bruno	11.38%	10.08%	3.27%	1.44%	8.36%	15.64%	8.57%	8.39%
San Carlos	10.29%	6.85%	7.85%	4.28%	6.79%	7.77%	7.28%	7.30%
San Mateo	12.50%	6.87%	3.52%	6.11%	6.50%	8.64%	8.27%	7.49%
County Average	12.55%	5.90%	5.73%	4.68%	7.44%	8.69%	7.73%	7.53%
S.C./County Avg Comp¹	-2.26%	0.95%	2.12%	-0.40%	-0.65%	-0.92%	-0.45%	-0.23%

¹ Compares San Carlos values to County average

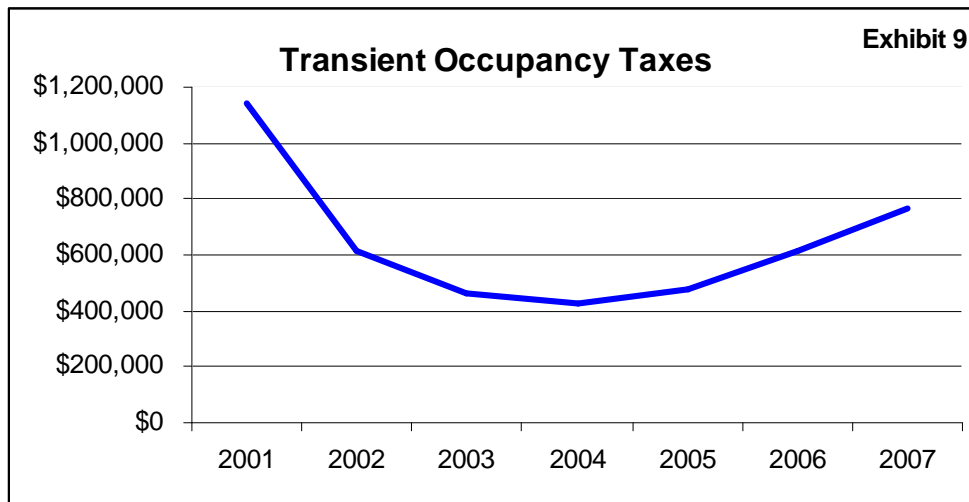
Source: County of San Mateo Assessor - County Clerk - Recorder, Secured and Unsecured Assessment Roll

Transient Occupancy Tax

The City receives TOT from each night's stay at a hotel in San Carlos. Exhibit 9 below tracks TOT revenues since 2001. After a sharp spike in 1999-2001, followed by a low point in 2004, revenues have begun trending upwards again. It should be noted that between 2004 and 2005, 15 hotels rooms were lost.

The city now has 378 rooms. If a Landmark Hotel is developed, the City will see annual revenues increase. As a conservative example, if the Landmark Hotel has 150 rooms, that are each occupied 50 percent of the time, and the room rate is \$150 a night, the City would receive an additional \$400,000 a year in TOT.

GOAL: Within five years (2013), the City will add 150 hotel rooms and generate at least \$400,000 in additional TOT annually.



Source: City of San Carlos

CHALLENGES FOR MEASURING ECONOMIC DEVELOPMENT

Measuring economic development programs based solely on the City and Agency annual revenues can be problematic, as a thriving community is more than a set of numbers. Increases in property tax, sales tax, and transient occupancy tax will help to balance the City's budget and provide services to residents and businesses. However, the number of jobs produced, the variety of housing options, circulation and transportation, and overall quality of life are also vital to community and economic development.

A strong economic environment consists of a combination of factors.

- **Quality of place.** A quality place appeals to both people and investment. Attracting and retaining such a labor force requires jobs, housing, and amenities. These in turn generate economic growth. Businesses also look to the amenities of an area that serve as a draw for potential clients and employees such as culture, entertainment, and recreation opportunities. All of these things help to create a sense of stability necessary for private sector investment.
- **Soft and Hard Infrastructure.** Access to viable travel networks, goods, telecommunications networks, financial institutions, and community services are vital to a city's economy. These types of infrastructure are underpinned by traditional hard infrastructure factors such as roads, water, sewer, flood control, etc. These are vital to the success of individual businesses.
- **Intellectual capital and skilled labor.** In the modern economy, innovation, entrepreneurship, and competent employees are at a premium, and they are drawn towards vibrant economies.
- **Cost of doing business.** Business must consider cost factors such as land prices, rents, mobility needs, entitlements, etc. Start-up businesses, as well as those looking to expand, are most influenced by these factors when seeking a location.
- **Resources.** Business owners often consider the support provided by chambers of commerce, cities, non-profits, and other organizations. The existence of relationships between companies, institutions, governments and other groups helps to foster a business-friendly environment on both a formal and informal level.

The impacts of economic development programs are not all easily measured, nor are the effects always immediate. These impacts, often called the multiplier effect, are difficult to quantify but will become more apparent as the City continues to implement economic development initiatives.

Multipliers are typically used to estimate impacts on the economy as a result of a single economic change and illustrate the holistic nature of economic investment. There are three types of multiplier effects - direct, indirect, and induced. For example, if a new hotel were to locate in San Carlos, the direct effects would be the increase in jobs provided by the new employer, as well as the transient occupancy tax generated by the hotel use. Indirect effects would be the changes in sales, jobs, and/or income within businesses that supply goods and services to the new hotel, i.e. the hotel will purchase goods from vendors in order to produce a night's stay - linens, soap, coffee, etc. Each vendor that provides a good to the hotel then benefits indirectly from people staying there. Induced effects are the changes in the region resulting from additional spending of income earned either directly or indirectly from the hotel. Guests at the hotel are likely to have dinner at a local restaurant. Additionally, hotel employees may grab lunch or run errands in San Carlos, or even relocate to the city to be closer to work. However, multipliers have a limitation which is particularly important to understand: they are much more effective at predicting impacts in a large

economic region, not a localized area such as a city in a highly urbanized area. Thus, it is difficult to project exactly what the impact on San Carlos will be, but it is important to recognize the many benefits created within the business community by single incidents.

Essentially then, it is not just that cities compete for a new hotel, but also for the associated impacts created by the hotel, which contribute to a strong economic environment. A balanced economic development strategy looks to not only foster growth in City revenue-generating uses, but also maximizes the local economic benefits of these endeavors.

REVIEW AND UPDATE OF STRATEGIES

The Plan identified a series of objectives and strategies to guide City activities during the subsequent three years. During the past year, staff, City partners, and elected officials have focused on creating momentum for economic development initiatives by working through both short-term strategies as well as some of the long-term strategies. The following section documents the progress made on each Plan strategy, and identifies new objectives and strategies added through this Update. It is intended that all projects completed in 2007-08 will be removed from this section during the 2009 Update, but are maintained here as a means of identifying progress.

OPERATIONAL OBJECTIVES AND STRATEGIES

Operational Objective 1 - Improve Partnerships

Completed *Create a short-term working group of representatives from city staff, EDAC, Harbor Industrial Association, and Chamber of Commerce*

The EDP was formed in September 2007. Representatives from the Chamber, EDAC, the HIA, and City staff meet monthly to provide focus to economic development initiatives undertaken by the various groups and ensure coordination of activities. The EDP has created a prioritized list of activities based on the Plan, and among other things, intends to contribute significantly to a marketing program to attract more patrons to San Carlos businesses during the 2008-09 fiscal year.

Completed *Create and hire for a staff position specifically to manage and develop economic development programs and networks*

An Economic Development and Housing Manager was hired in August 2007. The Economic Development and Housing Manager, Mark Sawicki, works closely with the EDAC, the EDP, and the Chamber to stimulate economic advancement of San Carlos. As many of the commercial areas of the city are within the Project Area, improvement of the business community is tied closely to redevelopment initiatives and projects. Consequently, during the last several months, significant effort has been made to align redevelopment activities with economic development activities, particularly with respect to planning documents and infrastructure improvements.

Ongoing *Guide workgroup to determine roles and tasks of each group to prevent doubled workload and synchronize goals*

This activity is ongoing as staff and the EDP continues to strategize how to achieve goals.

Incomplete *Identify any additional resources needed and recruit from within the existing business community*

This objective has not been specifically addressed, however, as a result of the impending Market Study and this Plan Update, resources may be identified, such as implementing a means to track employment.

Operational Objective 2 - Address Infrastructure Needs

Ongoing *Task Public Works with prioritizing projects to ameliorate traffic circulation issues, e.g. Holly Street*

Traffic continues to be a major concern, particularly when new projects are considered. With the new bond issue, more revenue has become available to fund

capital projects through the Agency. Four capital improvement projects were added to the Implementation Plan as a part of the Mid-Term Review process to improve traffic and pedestrian conditions, and provide better access to businesses located along the major corridors.

Ongoing *Prioritize funding for capital improvements, and identify funding sources*

Over \$6 million is expected to be dedicated to infrastructure by the Agency alone over the next three to four years. In addition to mitigation funding provided through impact fees, the Public Works department has also actively pursued grants to augment Agency and City expenditures.

Incomplete *Develop a plan for improving traffic flow on Holly Street from El Camino to Highway 101*

Holly Street is the City's key entry and exit point from Highway 101 and the only full interchange in the city. Though planned improvements will ease traffic flow out of San Carlos and improve conditions at the Holly Street and Industrial Road intersection, further improvements are needed. Increased or intensified uses along El Camino or Downtown, including the Transit Village, will add more vehicles and intensify what is already a well-known circulation problem along Holly Street. The City must continue improvements along Holly Street, beginning with a comprehensive plan for the corridor extending down to El Camino Real.

Operational Objective 3 - Identify Opportunities For Funding

Completed *Assemble a financing team and identify the specific bond proceed resources available to the Agency*

The 2007 bond refinanced both the 1995 and 1997 Tax Allocation Bonds, and provided an additional \$7 million in funds.

Completed *Allocate funds in mid-year (FY 2007-08) budget review process for this effort*

The 2007 bond was issued on November 27, 2007.

Ongoing *Identify City/Agency funds available for improving the business community*

With the 2007 bond issue, the Agency has additional funds available to improve vitality in the Project Area. These funds may support activities such as activation of Wheeler Plaza, a new hotel development, or a marketing strategy. The Agency is also reviewing future revenue streams as a part of the Mid Term Review process.

Ongoing *Research available grants/loan assistance and maintain webpage of links for businesses to use*

Staff has initiated this research and is working towards making this information available through the City website. Staff applied for and the City was awarded a grant of \$649,000 from City/County Association of Governments of San Mateo for public improvements near the Transit Village.

Ongoing *Continue to leverage Agency funds to support economic development and address infrastructure deficiencies in the Project Area*

The Public Works department has prioritized several infrastructure projects for completion with funding received in part from the 2007 bond.

Operational Objective 4 – Provide Resources To Small Business Owners

Incomplete *Build and maintain online resource section of web page for small business owners*

The EDP has prioritized this activity, and expects the development of a new business resources section on the City's website during the 2008-09 fiscal year.

Incomplete *Hold quarterly business retention meetings to facilitate discussion between the city and small business owners*

The EDP has prioritized this activity, and plans to survey businesses to gauge interest in participation during the 2008-09 fiscal year.

Incomplete *Reinstate façade improvement funding when feasible*

This strategy will be evaluated and addressed in the coming fiscal year.

Operational Objective 5 – Become A More Sustainable And Environmentally Oriented City

Completed *Appoint a City representative to lead the campaign to green the community*

Assistant City Manager Brian Moura was named to this task in 2007, and has guided the City through several activities with the assistance of San Carlos Green as described in the following strategy progress reports.

Completed *Consider joining the Mayors' Climate Protection Agreement*

Council approved the Mayors' Climate Protection Agreement in May of 2008.

Completed *Consider joining the ICLEI Local Governments for Sustainability to expand support for green programs and initiatives*

The City became a member of this program in September 2007.

Completed *Consider getting involved with BALLE or similar non-profit organization for local network support*

The Chamber has organized a Green Committee that the City has been working with.

Ongoing *Coordinate with the Chamber of Commerce to educate existing businesses on becoming green utilizing ABAG's program*

By capitalizing on ABAG's existing program, the City is able to promote green business in the San Carlos community efficiently. Sixteen San Carlos businesses have been certified through this program so far. The EDP is evaluating the best approach to expose the business community to the program. A Chamber Pulse of Business meeting in June focused on sustainability practices or businesses.

Ongoing *Determine programs or incentives to encourage use of green materials*

Both City staff and the San Carlos Green committee have worked diligently to find opportunities to encourage use of green materials despite the minimal City funding support available. During the summer of 2007, residents were able to receive a discount on solar panel installation through the work of San Carlos Green. Additionally, the City expects to adopt new State guidelines for green building standard in the next year. As programs and incentives available through outside sources are constantly changing, this remains an ongoing process.

Ongoing *Approve programs/incentives for encouraging use of green products and energy efficient devices*

San Carlos Green is working to identify ways in which the City may be able to offer funding for these programs through grants or other assistance programs in the future. The Association of Bay Area Governments sponsored a certification program the City participates in, which has provided encouragement for businesses to use green products and reduce energy consumption.

Incomplete *Develop guidelines for new construction that requires development to incorporate green techniques*

The State of California is currently developing green building standards which the City will adopt once completed. Initially, green standards will be voluntary but requirements will later be phased in.

Incomplete *Market to and recruit green and sustainable businesses*

The EDP has prioritized this activity and plans to address this topic during the coming years. The EDP has also begun initial work on a marketing strategy that will incorporate this priority.

Incomplete *Incorporate sustainable practices in other documents and programs as they are created or updated*

This strategy requires ongoing practice, the results of which will be realized most notably when the City completes the General Plan Update in 2009. The new General Plan will include measures for sustainability.

Operational Objective 6 - Improve Staff Interaction With Existing And Prospective Business Owners

Completed *Establish an ombudsman to handle complaints*

Sheryl Pomeranck and Mark Sawicki are currently appointed to this task.

Incomplete *Partner workgroup should appoint person or group to help identify past issues*

The EDP has begun to organize meetings with the business community initially to generate feedback on changes in the Building and Planning Departments.

Incomplete *Utilize quarterly business retention meetings as forum for discussions to eliminate problems or misunderstandings*

In addition to the meetings described above, a questionnaire is under development to solicit topics to address and interest in attending business retention meetings.

Incomplete *Craft strategies to address real or perceived impediments to business development*

Through the proposed business outreach questionnaire and retention meetings, the EDP will determine any topics to address.

Incomplete *Extend customer survey beyond Building division survey that was previously completed*

The customer survey will help to identify communication or procedural problems that may be eliminated.

Operational Objective 7 - Update Zoning Code Or Specific Plan Land Use Designations As Needed

Ongoing *Identify zoning code or specific plan provisions that are no longer in line with the City's goals*

This strategy is being addressed as part of the General Plan update process.

Ongoing *Task planning department with recommending changes and schedule*

Changes to the General Plan are currently underway, and the City intends to adopt the General Plan in 2009. Any revisions needed to update other documents will be completed subsequent to the General Plan update.

Incomplete *Update zoning code and specific plans according to schedule*

As described above, the schedule is tied to the General Plan update.

NEW Operational Objective 8 - Develop and Implement Community and Regional Outreach Programs

Incomplete *Work with Chamber to improve and update business recruitment package*

Though this strategy has not yet been addressed, the EDP intends to review the existing Chamber package at an upcoming meeting.

New Ongoing *Create a marketing strategy and program to attract businesses and consumers to San Carlos*

The EDP, Chamber, and staff have begun to investigate the options available for a marketing strategy. Staff and other community partners intend to have the strategy completed in mid- to late 2009.

New Incomplete *Develop benchmarks for measuring the benefits of economic development, including utilizing research from marketing strategy to evaluate employment levels and production niches*

One of the steps during the research phase of the marketing strategy is to get a more concrete understanding of the types of businesses in San Carlos and the number of people they employ.

New Incomplete *Develop and implement a strategy for communicating economic development to the broader community*

This will be addressed in part through the marketing study outreach as well as by setting an annual review process of economic development progress based on current benchmarks once established.

New Incomplete *Proactively recruit venture capital funded companies and tech startups via investor community and universities*

This strategy has not yet been addressed.

DOWNTOWN OBJECTIVES AND STRATEGIES

Downtown Objective 1 - Activate Wheeler Plaza

Completed *Strategize with City Council on the community's vision for possible reuse*

The City Council discussed several development scenarios based on options provided by a consultant team and directed staff to move forward to select a potential developer.

Completed *Retain economic consultant to provide options on what may be feasible*

RSG was directed in late 2007 to evaluate the financial feasibility of several re-use design scenarios developed by architecture firm Van Meter, Williams and Pollack.

Completed *Identify developers that specialize in feasible product and initiate discussions*

At Council direction, staff has discussed the potential project with several local developers to confirm interest in the concept. Staff intends to issue a Request for Qualifications to local developers, and will select from those applicants to move forward with the activation of Wheeler Plaza.

Incomplete *Set up meetings and discuss opportunities with property owners*

This strategy has not formally been approached, however, city staff has spoken to some owners that are interested in selling their property. This effort will continue in 2008-09.

Incomplete *Negotiate with property owners for maximum site*

Staff will undertake this effort during the 2008-09 fiscal year.

Incomplete *Contract with a site developer*

A site developer will be selected at the end of the Request for Qualifications process.

Downtown Objective 2 - Activate Bell Market Site

Completed *Set up meeting and discuss opportunities with land owner*

Staff has spoken with the property owner on several occasions about potential markets interested in the site, as well as potential redevelopment opportunities. These discussions will continue as a new tenant is identified.

Ongoing *Identify developers that specialize in feasible product and initiate discussions*

Staff has had discussions with several developers, brokers, and grocers about potential redevelopment of the site.

Incomplete *Determine feasibility of purchasing leasehold interest*

The tenant that held this interest has broken its lease. The property owner has not indicated an interest in selling the property or leasehold interest.

Incomplete *Identify site development options*

Staff asked RSG to perform a cursory analysis of a basic reuse scenario for review. Based upon information from the property owner on the possible location of a tenant for the former Bell Market pad, further study was not warranted as of yet.

Incomplete *Pending leasehold, find appropriate tenant or contract with developer*

The property owner has indicated another grocer will be the next tenant.

Downtown Objective 3 - Draw People From El Camino To Downtown

Ongoing *Continue focused discussions with Samtrans and the developer for the planned uses/users of the Transit Village*

Staff has engaged Samtrans and the developer on numerous occasions in the last year. The City performed a retail analysis for the site in October 2007 to evaluate the feasibility of expanding the retail component of the project. Additionally, the City has reviewed development plans for the project and is working with the developer to ensure that the project is well integrated with El Camino improvements and connections to downtown and the East Side.

Incomplete *Identify first efforts to market downtown at Transit Village particularly signage*

This strategy will be addressed as a part of the Marketing Strategy, which the EDP will undertake in 2008-09.

Incomplete *Implement marketing strategy to draw consumers from the Transit Village to Wheeler Plaza and downtown*

The proposed city-wide Marketing Strategy will incorporate this strategy.

Downtown Objective 4 - Determine And Encourage The Best Uses For Downtown

Incomplete *Consider criteria for users above a determined square footage pad*

The City had adopted an interim ordinance requiring a conditional use permit for spaces over 2,000 square feet. The ordinance was not extended upon its expiration.

Incomplete *Identify and recruit a brew-pub restaurant*

EDAC has identified potential brew-pub restaurants to recruit, although an appropriate location has not yet been identified.

Incomplete *Identify and recruit smaller regional businesses*

EDAC has identified retailers to recruit in various business categories for when appropriate locations are identified.

Incomplete *Identify and recruit more entertainment types of uses for all age groups, potentially including a bookstore and wine bar*

EDAC and staff have identified prospective users for sites that become available.

EL CAMINO REAL CORRIDOR OBJECTIVES AND STRATEGIES

El Camino Objective 1 - Utilize Railroad Property As Catalyst Site

Ongoing *Continue focused discussions with Samtrans and developer for the Transit Village*

Staff is in continuous discussions with the Transit Village owner and developer, reviewing site plans and impacts, both physical and fiscal. An environmental impact report is currently in process.

Ongoing *Consult on commercial tenant recruitment with the developer to protect against overlapping efforts in downtown*

Staff has discussed this strategy with the developer, however, this issue will be further addressed when the Transit Village is further along in the development process.

Incomplete *Incorporate marketing strategies aimed at downtown at the property*

This will be addressed through the development of the city-wide marketing strategy, expected in 2009.

El Camino Objective 2 - Implement Landscape And Design Concept For Corridor

Incomplete *Review current landscape concept*

The Transit Village developer will landscape most of the eastern side of the El Camino. The Public Works staff has developed a plan and funding the improvements on the western side.

Incomplete *Develop design and landscaping guidelines for corridor if current plan is not sufficient*

This strategy has not yet been addressed.

Incomplete *Implement strategy*

This strategy has not yet been addressed.

El Camino Objective 3 - Determine And Encourage The Best Uses For El Camino

Ongoing *Review zoning and specific plan guidelines for the corridor and evaluate possible changes*

Implementation of this strategy will be addressed in part by the General Plan update. Changes to the specific plan will be subsequent to the General Plan Update. The City will also be considering the Grand Boulevard Initiative concepts for El Camino.

Ongoing *Task Planning Department with recommending changes to the zoning code and developing a schedule for the changes*

This strategy will be addressed as a part of and following the General Plan update.

Ongoing *Identify vacant parcels on corridor*

There are relatively few vacant parcels in the corridor and staff has been actively marketing the sites with developers, retailers, and brokers.

Incomplete *Review recommended changes and carry out approval process*

This strategy will be addressed in future years, based on adoption of the new General Plan.

Incomplete *Identify types of users who's needs would meet the available land parameters*

This strategy has not yet been directly addressed, although EDAC has identified priority retailers to attract to the city.

Incomplete *Utilize the partnerships to solicit interest in available properties from desired users*

Staff continues to work with brokers and the development community to promote El Camino opportunities.

Incomplete *Work with partners to recruit businesses*

Staff continues to work with brokers and the development community to promote El Camino opportunities.

EAST SIDE OBJECTIVES AND STRATEGIES

East Side Objective 1 - Recruit Mid To Large Plate Retail

New Completed *Identify commercial sites for strategic marketing based on location, zoning, availability, owner interest, and other redevelopment criteria*

EDAC identified various retailers by category to attract to San Carlos.

Completed *Develop list of compatible users with Chamber and EDAC, focusing on existing markets of home improvement, home goods, and recreation/sports*

EDAC identified various retailers by category to attract to San Carlos.

Ongoing *Determine City/Agency funding available for parcel assembly*

The Agency is completing its Five-Year Implementation Plan Mid Term Review and has allocated funding for parcel assembly in fiscal year 2008-09 for several different projects. Funds will be allocated as needed, based on the progress of several key projects such as Wheeler Plaza and the Landmark Hotel.

Incomplete *Initiate contact with identified users and provide information on San Carlos*

Staff has contacted several identified retailers and the brokers who represent them.

Incomplete *Explore ERA recommendation to change the zoning on property along Industrial Road from Industrial to Mid and Large Plate retail uses*

This strategy is being addressed as a part of the General Plan Update process.

Incomplete *Recruit users for available land*

There is relatively little available land, although staff has been actively recruiting developers, brokers, retailers, and hoteliers to identified East Side areas along the Industrial Road and Highway 101 corridors.

Incomplete *Incorporate green building standards for new construction*

The City will adopt new State green building standards, currently being drafted.

East Side Objective 2 - Recruit Research And Development / Bio-Tech Industries

Ongoing *Market small available parcels through partnerships (e.g. Silicon Valley Prospector.com, Chamber) and website*

The City continues to utilize Silicon Valley Prospector, directing interested parties to commercial space for lease and purchase. A link to the search tool is found on the City's home page.

Incomplete *Capitalize on Nektar and possibly PAMF to attract complementary uses*

This strategy has been used mostly in connection to attracting potential hotel development to complement PAMF.

East Side Objective 3 - Preserve Light Industrial And Flex Space

Ongoing *Market available small pads/industrial condos via the Silicon Valley Prospector.com website, the City website, and through the Chamber*

The City is utilizing the Silicon Valley Prospector website as well as it's own to direct potential owners and tenants to available properties.

Incomplete *Encourage flexibility of uses through revisions of development standards*

This strategy has not yet been addressed and is dependent upon completion of land use designation in the General Plan Update process.

East Side Objective 4 - Develop Landmark Hotel

Completed *Reserve site for hotel at landmark site as designated*

Two Landmark Sites at the Holly Street and Highway 101 interchange have been identified in both the East Side Specific Plan as well as a recent study on development opportunity sites as a prime location for a hotel. The City has made this strategy one of its top priorities as a hotel will generate additional transient occupancy tax.

Ongoing *Contact local developers to ascertain interest*

Staff has held informal discussions with several hotel developers and brokers and has found them interested in the project. Discussions continue as the City considers the type of amenities and specifications they would like the hotel to have, such as restaurant and/or meeting facilities.

New Ongoing *Study the feasibility of development and potential for RDA assistance in facilitating land assembly and development*

Two Landmark Sites at the Holly Street and Highway 101 interchange have been identified in both the East Side Specific Plan as well as a recent study on development opportunity sites as a prime location for a hotel. The City has made this strategy one of its top priorities as a hotel will generate additional transient occupancy tax.

New Incomplete *Select a hotelier/developer*

Staff has held informal communications with several hotel developers and will proceed with a formal selection process based on the results of the feasibility study.

HARBOR INDUSTRIAL AREA OBJECTIVES AND STRATEGIES

Harbor Industrial Area Objective 1 - Engage The Harbor Industrial Association

Ongoing *Attend meetings with Harbor Industrial Association to discuss future strategies and solicit representation for the workgroup*

Staff continues to attend meetings of the HIA, and a representative has been appointed to the EDP and General Plan Advisory Commission.

Incomplete *Work with HIA to determine best reuses of vacant parcels*

Redevelopment potential was addressed as part of an HIA presentation in April 2008.

Harbor Industrial Area Objective 2 - Preserve Light Industrial And Research And Development Uses

Ongoing *Market small available parcels through partnerships (e.g. Silicon Valley Prospector.com, Chamber) and website*

The City continues to utilize Silicon Valley Prospector, directing interested parties to commercial space for lease and purchase. A link to the search tool is found on the City's home page.

Incomplete *Allow and maintain flexibility of uses in industrial area, but continue to focus on recruitment of light industry and construction-related products*

This strategy will be addressed as a part of the General Plan Update process and the marketing strategy in 2009.

Harbor Industrial Area Objective 3 - Recruit Research And Development / Bio-Tech Industries

Ongoing *Market available small pads via the Silicon Valley Prospector.com website, the City website, and through the Chamber*

The City is utilizing the Silicon Valley Prospector website as well as it's own to direct potential owners and tenants to available properties.

Incomplete *Target research and development uses complementary to existing firms and recruit as land becomes available*

This strategy has not yet been addressed.

APPENDIX A - OBJECTIVES AND STRATEGIES MATRIX

The following matrix identifies all objectives and strategies from the Plan, as well as the proposed additions to the Plan through this Update process, and provides a snapshot detail of the status and proposed timeline for each.

ECONOMIC DEVELOPMENT PLAN OBJECTIVES / STRATEGIES / TASKS MATRIX	Council Strategic Objective	Current Status	Plan Year 1 2007-08	Plan Year 2 2008-09	Plan: Next 3 Yrs
OPERATIONAL CHANGES: Become a business-friendly community that results in funding for city services and improved quality of life in San Carlos					
Improve partnerships					
Create a short-term working group of representatives from city staff, EDAC, Harbor Industrial Association, and Chamber of Commerce		Completed	✓		
Create and hire for a staff position specifically to manage and develop economic development programs and networks	■	Completed	✓		
Guide workgroup to determine roles and tasks of each group to prevent doubled workload and synchronize goals		Ongoing	▶	•	•
Identify any additional resources needed and recruit from within the existing business community		Incomplete	•		
Address infrastructure needs					
Task Public Works with prioritizing projects to ameliorate traffic circulation issues		Ongoing	▶	•	•
Prioritize funding for capital improvements, and identify funding sources		Ongoing	▶	•	•
<i>New</i> Develop a plan for improving traffic flow on Holly Street from El Camino to Highway 101		Incomplete			•
Identify opportunities for funding assistance					
Assemble a financing team and identify the specific bond proceed resources available to the Agency		Completed	✓		
Allocate funds in mid-year (FY 2007-08) budget review process for this effort		Completed	✓		
Identify City/Agency funds available for improving the business community		Ongoing	▶	•	•
Research available grants/loan assistance and maintain webpage of links for businesses to use		Ongoing	▶	•	•
Continue to leverage Agency funds to support economic development and address infrastructure deficiencies in the Project Area		Ongoing	▶	•	•
Provide resources to small business owners					
Build and maintain online resource section of web page for small business owners		Incomplete	•	•	•
Hold quarterly business retention meetings to facilitate discussion between the city and small business owners		Incomplete	•	•	•
Reinstate façade improvement funding when feasible		Incomplete		•	•

**ECONOMIC DEVELOPMENT PLAN
UPDATE 2008/09**

ECONOMIC DEVELOPMENT PLAN OBJECTIVES / STRATEGIES / TASKS MATRIX		Council Strategic Objective	Current Status	Plan Year 1 2007-08	Plan Year 2 2008-09	Plan: Next 3 Yrs
Become a "Green City"						
	Appoint a City representative to lead the campaign to green the community		Completed	✓		
	Consider joining the Mayors' Climate Protection Agreement		Completed	✓		
	Consider joining the ICLEI Local Governments for Sustainability to expand support for green programs and initiatives		Completed	✓		
	Consider getting involved with BALLE or similar non-profit organization for local network support and to fortify green resources		Completed	✓		
	Coordinate with the Chamber of Commerce to educate existing businesses on becoming green utilizing ABAG's program		Ongoing	▶	•	•
	Determine programs or incentives to encourage use of green materials		Ongoing	▶	•	•
	Approve programs/incentives for encouraging use of green products and energy efficient devices		Ongoing	▶	•	•
	Develop guidelines for new construction that requires development to incorporate green techniques		Incomplete		•	•
	Market to and recruit green and sustainable businesses		Incomplete		•	•
	Incorporate sustainable practices in other documents and programs as they are created or updated		Incomplete		•	•
Improve staff interaction with existing and prospective business owners						
	Establish an ombudsman to handle complaints		Completed	✓		
	Partner workgroup should appoint person or group to help identify past issues		Incomplete	•		
	Utilize quarterly business retention meetings as forum for discussions to eliminate problems or misunderstandings (see O-4(b) above)		Incomplete	•	•	•
	Craft strategies to address real or perceived impediments to business development		Incomplete		•	•
<i>New</i>	Extend customer survey beyond Building Division survey that was previously completed	■	Incomplete		•	
Update zoning code						
	Identify zoning code or specific plan provisions that are no longer in line with the City's goals		Ongoing	▶	•	•
	Task planning department with recommending changes and schedule		Ongoing	▶	•	•
	Update zoning code and specific plans according to schedule		Incomplete		•	•
Develop and implement community and regional outreach programs						
<i>New</i>	Create a marketing strategy and program to attract business and consumers to San Carlos		Ongoing	▶	•	
	Work with Chamber to improve and update business recruitment package		Incomplete	•	•	
<i>New</i>	Develop benchmarks for economic development including revenue levels, current employment levels, and production niches		Incomplete		•	•
<i>New</i>	Develop and implement a strategy for communicating economic development to the broader community		Incomplete		•	
<i>New</i>	Proactively recruit venture capital funded companies and tech startups via investor community and universities		Incomplete		•	•

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ECONOMIC DEVELOPMENT PLAN OBJECTIVES / STRATEGIES / TASKS MATRIX	Council Strategic Objective	Current Status	Plan Year 1 2007- 08	Plan Year 2 2008- 09	Plan: Next 3 Yrs
DOWNTOWN: Infuse the Downtown with high quality users and consumers while maintaining sense of place					
Activate Wheeler Plaza	■				
Strategize with City Council on the community's vision for possible reuse	■	Complete	✓		
Retain economic consultant to provide options on what may be feasible	■	Complete	✓		
Identify developers that specialize in feasible product and initiate discussions		Complete	✓		
Set up meetings and discuss opportunities with property owners		Incomplete	•	•	
Negotiate with property owners to maximize site		Incomplete		•	•
Contract with site developer		Incomplete		•	•
Activate Bell Market Site	■				
Set up meeting and discuss opportunities with land owner		Complete	✓		
Identify developers that specialize in feasible product and initiate discussions		Ongoing	▶	•	•
Determine feasibility of purchasing leasehold interest		Incomplete	•	•	
Identify side development options		Incomplete	•	•	•
Pending leasehold, find appropriate tenant or contract with developer		Incomplete		•	•
Draw people from El Camino to the Downtown					
Continue focused discussions with Samtrans and the developer for the planned uses/users of the Railroad Property		Ongoing	▶	•	•
Identify first efforts to market downtown at Railroad Property particularly signage		Incomplete	•	•	
Implement marketing strategy to draw consumers from the Railroad Property to Wheeler Plaza and downtown		Incomplete		•	•
Determine and encourage the best uses for Downtown					
Consider criteria for users above a determined square footage pad		Incomplete	•	•	
Identify and recruit a brew-pub restaurant		Incomplete	•	•	
Identify and recruit smaller regional businesses		Incomplete		•	•
Identify and recruit more entertainment types of uses for all age groups, potentially including a bookstore and wine bar		Incomplete		•	•

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EL CAMINO REAL CORRIDOR: Stimulate the El Camino to be an active business corridor that attracts users to San Carlos and provides community identity					
Utilize SamTrans Railroad Property as catalyst site					
Continue focused discussions with Samtrans and developer for the Railroad Property		Ongoing	▶	•	•
Consult on commercial tenant recruitment with the developer to protect against overlapping efforts in downtown		Ongoing	▶	•	•
Incorporate marketing strategies aimed at downtown at the property		Incomplete		•	•
Implement landscape and design concept for corridor					
Review current landscape concept		Incomplete	•	•	
Develop design and landscaping guidelines for corridor if current plan is not sufficient		Incomplete		•	•
Implement strategy		Incomplete		•	•
Determine and encourage the best uses for El Camino					
Review zoning and specific plan guidelines for the corridor and evaluate possible changes		Ongoing	▶	•	•
Task Planning Department with recommending changes to the zoning code and developing a schedule for the changes		Ongoing	▶	•	•
Identify vacant parcels on corridor		Ongoing	▶	•	•
Review recommended changes and carry out approval process		Incomplete		•	•
Identify types of users who's needs would meet the available land parameters		Incomplete		•	•
Utilize the partnerships to solicit interest in available properties from desired users		Incomplete		•	•
Work with partners to recruit businesses		Incomplete		•	•

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EAST SIDE: Retain and promote land uses as described in the East Side Specific Plan, including the recruitment of commercial tenants of all sizes that will add value to the community						
Recruit mid to large plate retail		■				
<i>New</i>	Identify commercial sites for strategic marketing based on location, zoning, availability, owner interest and other redevelopment criteria	■	Completed	✓		
	Develop list of compatible users with Chamber and EDAC, focusing on existing markets of home improvement, home goods, and recreation/sports		Completed	✓		
	Determine City/Agency funding available for parcel assembly		Ongoing	▶	•	•
	Initiate contact with identified users and provide information on San Carlos		Incomplete	•	•	
	Recruit users for available land		Incomplete		•	•
	Incorporate green building standards for new construction		Incomplete		•	•
Recruit research & development / bio-tech industries (overlap with HIA)						
	Market small available parcels through partnerships (e.g. Silicon Valley Prospector.com, Chamber) and website		Ongoing	▶	•	•
	Capitalize on Nektar and possibly PAMF to attract complimentary uses		Incomplete		•	•
Preserve light industrial / flex-space land						
	Market available small pads/industrial condos via the Silicon Valley Prospector.com website, the City website, and through the Chamber		Ongoing	▶	•	•
	Encourage flexibility of uses through revisions of development standards		Incomplete		•	•
Develop landmark hotel		■				
	Reserve site for hotel at landmark site as designated		Complete	✓		
	Contact local developers to ascertain interest		Ongoing	▶	•	•
<i>New</i>	Study the feasibility of development and potential for RDA assistance in facilitating land assembly and development	■	Ongoing	▶	•	•
<i>New</i>	Select a hotelier	■	Incomplete		•	•
HARBOR INDUSTRIAL AREA: Look for opportunities in land reuses						
Engage the Harbor Industrial Association						
	Attend meetings with Harbor Industrial Association to discuss future strategies and solicit representation for the workgroup		Ongoing	▶	•	•
	Work with HIA to determine best reuses of vacant parcels		Incomplete		•	•
Preserve light industrial and research and development uses						
	Market small available parcels through partnerships (e.g. Silicon Valley Prospector.com, Chamber) and website (same as E-2(a))		Ongoing	▶	•	•
	Allow and maintain flexibility of uses in industrial area, but continue to focus on recruitment of light industry and construction-related products		Incomplete		•	•
Recruit research & development / bio-tech industries (overlap with East Side)						
	Market available small pads via the Silicon Valley Prospector.com website, the City website, and through the Chamber (same as H-2(a))		Ongoing	▶	•	•
	Target research and development uses complimentary to existing firms and recruit as land becomes available		Incomplete		•	•