

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF SAN JOSE AMENDING CHAPTER 4.76 OF TITLE 4 OF THE SAN JOSE MUNICIPAL CODE TO ADD A NEW SECTION 4.76.749 TO TEMPORARILY EXEMPT FROM THE CITY'S BUSINESS TAX NEW TENANTS EXECUTING LEASES FOR OFFICE SPACE OR NEW PROPERTY OWNERS ENGAGED IN BUSINESS IN OWNER-OCCUPIED OFFICE SPACE IN THE DOWNTOWN BUSINESS IMPROVEMENT DISTRICT WHEN CERTAIN REQUIREMENTS ARE SATISFIED

WHEREAS, Downtown San José is a critical economic hub for the City of San José ("City"), home to a diverse range of businesses, cultural institutions, and residential population, contributing significantly to the City's overall economic vitality; and

WHEREAS, the COVID-19 pandemic has had a profound impact on downtown areas, leading to increased office vacancies, reduced foot traffic, and economic challenges for local businesses, necessitating targeted efforts to stimulate economic recovery and growth; and

WHEREAS, attracting new office businesses to Downtown San José is essential for revitalizing the area, creating jobs, and fostering a vibrant community that supports local commerce, arts, and culture; and

WHEREAS, providing a business tax exemption for qualifying office tenants, or new property owners engaging in owner-occupied office uses, will incentivize companies to establish their offices in Downtown San José, thereby enhancing the economic base and generating additional revenues in the long term; and

WHEREAS, pursuant to the provisions and requirements of the California Environmental Quality Act of 1970, together with related State CEQA Guidelines and

Title 21 of the San José Municipal Code (collectively, "CEQA"), the Director of Planning, Building and Code Enforcement has determined that the provisions of this Ordinance do not constitute a project, under File No. PP17-008 (General Procedure & Policy Making resulting in no changes to the physical environment); and

WHEREAS, the City Council of the City of San José is the decision-making body for this Ordinance; and

WHEREAS, this Council has reviewed and considered the "not a project" determination under CEQA prior to taking any approval actions on this Ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SAN JOSE:

SECTION 1. A new Section 4.76.749 is added to Chapter 4.76 of Title 4 of the San José Municipal Code, to be numbered, entitled, and to read as follows:

4.76.749 Temporary Exemption for New Tenants Executing Leases for Office Space or New Property Owners Engaged in Business in Owner-Occupied Office Space in the Downtown Business Improvement District When Certain Requirements are Satisfied

A. A new tenant or new property owner shall be exempt from the payment of any business tax imposed under the provisions of this Chapter for two (2) years where:

1. The tenant executes a lease between January 1, 2025 - December 31, 2026, for space in the Downtown Business Improvement District where the primary use of the space is for office space for a minimum term of

forty-eight (48) consecutive months, and commences occupancy prior to January 1, 2027; or

2. The property owner purchases a building between January 1, 2025 – December 31, 2026 in the Downtown Business Improvement District and engages in business in owner-occupied space where the primary use of the space is for office space and provides a statement satisfactory to the Director of owner's intention to occupy for a minimum of forty-eight (48) consecutive months, and commences occupancy prior to January 1, 2027.

B. For the purposes of this Section:

1. The term "office space" means space of not less than 2,500 square feet where the primary use is one of the following enumerated uses in Table 20-140 of Chapter 20.70 of the Code: research and development; offices, business and administrative; or financial services (excluding retail banking).
2. The term "Downtown Business Improvement District" means that business improvement district in the City established by Ordinance No. 22960, as may be amended, with boundaries as follows: I-280 at Fourth Street west along Reed Street to west side of Market Street to south side of Balbach Street to east side of Almaden Boulevard to continue on West Reed Street to Highway 87, Highway 87 north to West San Fernando Street, south side of West Fernando Street to CalTrain tracks, CalTrain tracks to West Julian Street, south side of West Julian Street east to Montgomery Street, west side of Montgomery Street south to south side of West St. John Street to the Guadalupe River, north along east side of the Guadalupe River to the western most set of Union Pacific Railroad

tracks, north side of the Union Pacific Railroad tracks north to West Taylor Street, south side of West Taylor Street east to Coleman Avenue, southwest side of Coleman Avenue east to Highway 87, Highway 87 south to West Julian Street, both sides of West Julian Street east to First Street, south side of East Julian Street east to Fourth Street, both sides of Fourth Street south back to I-280 (but does not include the Almaden Neighborhood between Market Street and Almaden Boulevard).

3. The term “new tenant” means a tenant that is not currently leasing office space (or engaged in business in owner-occupied office space) in the Downtown Business Improvement District.
4. The term “new property owner” means a property owner that is not currently engaged in business in owner-occupied office space (or leasing office space) in the Downtown Business Improvement District.

SECTION 2. All other provisions of Chapter 4.76 of Title 4 of the San José Municipal Code not modified by this Ordinance shall remain in full force and effect.

PASSED FOR PUBLICATION of title this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk