



Downtown San José Office Incentives

**San José City Council
Item 8.2
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Framework for a Vibrant City Center



Why Downtown's Office Market Matters



Economic Driver: Office workers generate spending in sectors like retail, services and dining, driving City revenues.



Job Creation and Multiplier Effect: Every professional office job generates one other job in the region.



Revitalization and Foot Traffic: Workers bring daytime foot traffic, enhancing overall vibrancy.



Sustainability: Jobs near transit support public infrastructure investments and live/work/play lifestyle support City priorities around development.

Downtown San José Office Overview



Leasing
Volume



Vacancy

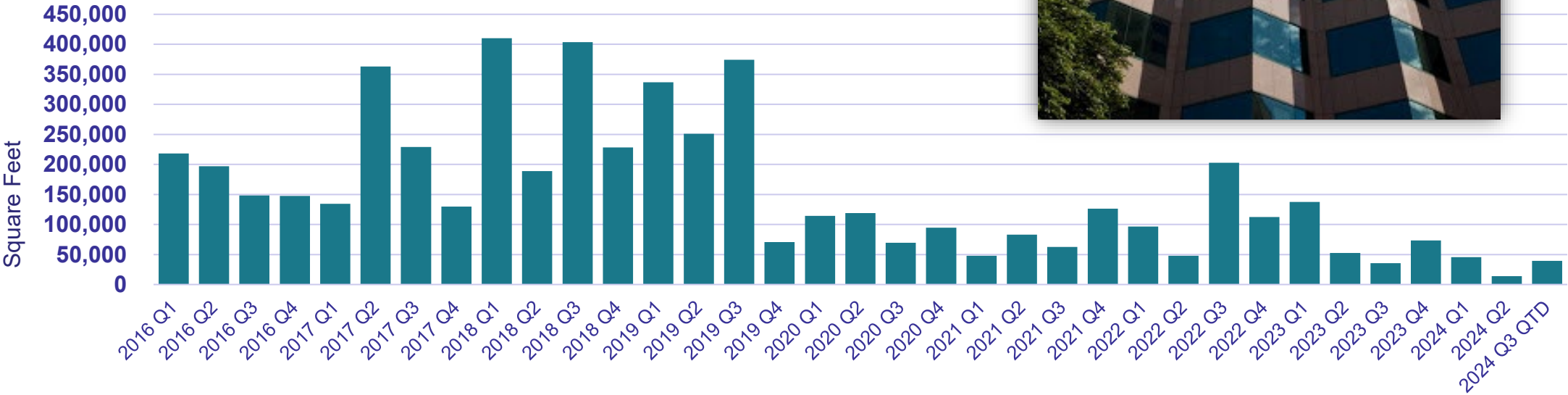


Sublease
Availability



RiverPark Tower

Downtown Leasing Activity, 2016-2024



Data: CoStar

Importance of Overall Experience



Role of Incentives

- **Stimulate touring activity**

Encourage prospects to explore available spaces, leading to new leases.

- **Enhance competitiveness**

Reduce barriers to Downtown relative to other submarkets.

- **Support business growth**

Assist companies, including startups, in scaling their operations by reducing costs.

- **Pathway for City revenue**

Convert foregone revenue in the short term into long-term income for the City from Downtown.

Incentive Proposal – Parking and Business Tax



2 years free parking in
City-owned garages

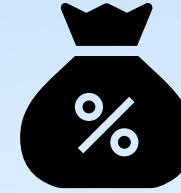


2 years business tax
exemption

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Criteria

- Geography: Downtown Business Improvement District
- New-to-Downtown businesses
- Office uses only (R&D, general office, financial services)
- Minimum four-year commitment
- Minimum Size: 2,500 sq ft
- Monthly passes metered - 2 per 1,000 sq ft; 500 total in program.
- Leases or purchases between Jan. 1, 2025 and Dec. 31, 2026
- Time-limited, two-year program

Potential Incentive Valuations

Small Tenant (8,000 sq ft)

- Employees: 50
- Foregone Business Tax:
\$4,300
- Parking Incentive Value:
\$38,400 (16 passes)

Mid-Sized Tenant (20,000 sq ft)

- Employees: 130
- Foregone Business Tax:
\$13,000
- Parking Incentive Value:
\$96,000 (40 passes)

Large Tenant (60,000 sq ft)

- Employees: 400
- Foregone Business Tax:
\$45,100
- Parking Incentive Value:
\$288,000 (120 passes)

*Valuations shown are over two years
Space utilization = 1 employee per 150 SF*



Next Steps

- Finance Department and Department of Transportation implementation.
- Broker marketing and communication.
- Ongoing support for program users.
- Support and outreach for existing Downtown San José office tenants.
- Report back to Community and Economic Development Committee in June.
- Larger incentives (\$100,000 or more) must come back to City Council and be posted on City's website.

Thank You

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