



Council Meeting: December 16, 2008

SUBJECT: Encouraging Solar Businesses to Locate in Sunnyvale (Study Issue)

REPORT IN BRIEF

This Study Issue, to investigate the feasibility of attracting solar businesses to locate in Sunnyvale, was generated as a result of City Council interest in seeing Sunnyvale take a leadership role in attracting environmentally friendly and socially responsible businesses. With a direction toward marketing the "Sun" in Sunnyvale and taking advantage of the economic/business friendly reputation in Sunnyvale, this study focuses on understanding the types of solar-related industries, what these companies look for when selecting locations, the economic benefits of such businesses, and how Sunnyvale can successfully compete to get them to locate here (Attachment A).

The Economic Development goals approved by City Council set the direction within which staff works with the short-term and long-term action strategies to support the economic growth in Sunnyvale (Attachment B). This study includes the analysis of whether to broaden the scope of the City's economic development efforts to include all "clean and green" industries, rather than just attracting solar companies.

Staff recommends incorporating into the Economic Development Strategy the development of a broader economic development initiative to attract businesses in the clean and green industry with a focus on energy generation and energy efficiency. The initiative would be a coordinated program that could include actions such as: a marketing program with a green industry resource website and updated city promotion materials; strategic and multi-faceted business outreach; support of state and federal legislation that offers incentives for green industries; promotion of incubator building space for start-up businesses; and strategies to alleviate permit processing impediments.

BACKGROUND

Governments at all levels throughout the United States invest time and resources in business attraction and retention activities. The reasons they do so are to increase the employment base, bring quality jobs to the community and create a larger tax base that will help fund government services for the entire community.

Sunnyvale's Economic Development Program was developed to promote and maintain a strong and diverse local economy to provide jobs and services for residents and tax revenue for the City to fund public services.

The City Council last reviewed and approved the goals for the Economic Development Program on May 16, 2006. The goals set a direction within which staff developed short-term and long-term action strategies to support economic growth in Sunnyvale. The approved Economic Development goals are listed as follows:

Business Attraction: Undertake marketing to attract businesses in targeted industry clusters to provide a stable tax base to support City services and to create quality jobs for Sunnyvale residents.

Business Retention: Establish positive relationships with individual businesses to encourage them to remain in Sunnyvale, and provide support and assistance to those who need to expand.

Office/Industrial Building Inventory: Promote investment and reinvestment in industrial neighborhoods to provide an appropriate amount of Class A, B, and C buildings, so as to remain competitive in attracting high-tech companies and headquarter offices.

Retail Services: Support and attract businesses which provide a variety of needed retail and other services for our residents at locations which are convenient for them.

Downtown Redevelopment: Manage the redevelopment of the downtown in a manner which creates a vital and attractive commercial, social and symbolic center of the City.

Business Friendly Climate: Promote a business-friendly attitude among City employees and elected officials and utilize their regular contacts with the business community as tools in the Economic Development Program.

The adopted priorities for business attraction (targeted industry clusters) include large sales tax producers (retail and industrial businesses) and high-tech businesses (high-profile corporate headquarters) in general, and biomedical device companies in particular. Economic Development priorities must certainly be considered in our future economic development plans:

- **Top sales tax producers:** Since significant revenues are provided to the City's general fund from sales tax, it is imperative to understand the impact new industries offer with respect to the sales tax revenue they will generate. Businesses that sell high-value items, such as cars and high-technology products, provide the City with the highest sales tax revenues.

- High-profile corporate headquarters: It's always an achievement to have high-profile companies locate in Sunnyvale, since they help put the City on the map with respect to branding and name recognition. Excellent examples are Internet companies, which do not generate sales tax revenue for the City, but provide great public relations every time the company's location is mentioned in the news.
- Emerging growth industries: Attracting companies that are involved in cutting-edge technologies is another priority. Creating a collective identity for certain industry sectors is a great way to attract quality high-paying jobs to Sunnyvale, make the City attractive to startups, and facilitate the development of long-term partnerships with companies.

It is important to keep these three economic development priorities in mind in determining the value of attracting solar companies to Sunnyvale.

The purpose of the study was to explore options on how to attract solar companies to Sunnyvale by marketing the "Sun" in Sunnyvale and taking advantage of the economic/business friendly reputation of Sunnyvale. Council members have expressed an interest in seeing Sunnyvale take a leadership role in the attraction of environmentally friendly and socially responsible businesses; solar related businesses are a subset.

EXISTING POLICY

This issue relates to the Socio-Economic Sub-Element, Fiscal Sub-Element, and Community Vision of the General Plan.

Socio-Economic Sub-Element:

Policy 5.1B.3: Monitor the effect of City policies on business development and consider the effects on the overall health of business within the City.

Policy 5.1C.4: Promote business opportunities and business retention in Sunnyvale.

Policy 5.1C.6: Consider development of a strong business retention program.

Fiscal Sub-Element:

Goal 7.1a: Revenue: maintain and enhance the City's revenue base.

Policy 7.1a.1: Revenue base: maintain a diversified and stable revenue base for the City.

Action Statement: 7.1A.1a. Encourage a diversified and stable local economy.

Community Vision of the General Plan:

X. ROBUST ECONOMY: To retain, attract and support strong and innovative businesses, which provide quality jobs for the City's workforce, tax revenue to support public services, and a positive reputation for Sunnyvale as a center of creativity and productivity.

Sunnyvale sits in the very center of Silicon Valley, which is world renowned for its innovative and entrepreneurial spirit. The businesses which have grown up in the community bring wealth to its residents and cutting edge products to the world market. Competition for such businesses, among the cities of the region and among similar regions throughout the world, is intense. To maintain its position of predominance, Sunnyvale must continue to provide opportunities for strong and innovative businesses, both large and small, including start-up companies and headquarters of large successful companies, to locate in the City; and it must strengthen its reputation as a business friendly community.

DISCUSSION

Breaking Down the Components of the Solar Industry

Worldwide, the solar photovoltaic industry has experienced significant expansion over the last decade with growth rates exceeding 30 percent per year. The industry was driven by rising energy prices as well as public concerns over the environment.

SolarTech, a non-profit subsidiary of the Silicon Valley Leadership Group designed to help remove the barriers and enhance the solar industry in Silicon Valley, published a white paper report on the solar industry indicating that California is the leading user of solar power in the United States. The report states that California represents more than 75 percent of the U.S. market, and is the third largest market for solar power worldwide.

Solar power is projected to expand significantly in the coming years with the State's investment of more than \$3.2 billion in financial incentives for the California Solar Initiative program which began in 2007. The California Solar Initiative's goal is to create 3,000 megawatts of new solar-produced electricity by 2017 with the use of financial incentives. The campaign builds on 10 years of State solar rebates offered to its utility customers.

SolarTech projects that the California solar industry could represent a substantial economic and job growth opportunity for Silicon Valley similar to the high-tech industry of the late 1970s and early 1980s. Silicon Valley is

positioned to capitalize on this growth industry due to the engineering talent, educational system, and financial capital that is located in Silicon Valley.

The bulk of the solar industry can be divided into two major types of companies: manufacturers (R&D and production) and integrators.

- **Manufacturers:** First generation solar panels date back to 1954 and the early design of a silicon solar cell. The product has since become more efficient, but this first generation technology makes up the vast majority of solar panel installations. Solar technology is rapidly evolving, making way for the second generation solar panels of thin film and concentrating photovoltaic technologies that are less costly and more efficient than their predecessors. Sunnyvale is already home to several solar panel manufacturers:

CaliSolar: A start-up company developing a proprietary approach to using “dirty” metallurgical grade silicon to make high quality solar cells. Upgraded metallurgical silicon is substantially less expensive than the electronic grade silicon usually used to make solar cells. CaliSolar is in the process of expanding into a new manufacturing facility.

Innovalight: A start-up company that is developing ultra low-cost thin-film solar power modules based on a proprietary silicon-ink process. Innovalight is getting a lot of press and is in the process of moving into the manufacturing stage of development.

MiaSolé: A pioneer in developing Copper Indium Gallium Selenide (CIGS) thin film solar products that offer a low cost solar electricity solution. MiaSolé is expanding its manufacturing in Sunnyvale from a neighboring city, and is working with leading integrators to install its CIGS thin film solar products globally in large commercial and utility scale projects.

Silicon Valley Solar (SV Solar): Manufactures flat plate, internal concentrator solar modules. These modules utilize less than half the number of solar cells compared to traditional solar modules while producing the same or higher output. This allows for a significant cost reduction.

- **Integrators:** Companies that actually install solar panels differ substantially from their manufacturing counterparts. They function in a contractor role, working to design and integrate solar power systems for residential and commercial customers. In addition to trained engineers, installers will hire customer service personnel as well as “green collar”

teams that perform the actual installations and deal with maintenance and repair issues. Sunnyvale is home to one solar installation company:

REC Solar: Specializes in grid-tied solar electric design and installation, offering the latest technology, state of the art equipment, and financing opportunities for all commercial and residential customers. REC Solar has been ranked by the California Energy Commission as one of the top solar system installation companies in the State.

While installation of a solar system is costly, State rebates and federal tax credits are available to help lessen what can be a major barrier. The Economic Stabilization Act of 2008 includes federal solar tax incentives that could achieve a payback on a solar system in around 12 years when combined with State rebates.

What Solar Companies Look For in Site Selection

Site selection issues can be broken down into three categories: building type, size, and location; power supply; and workforce availability. The criteria will vary for manufacturers (R&D and production) and integrators.

- Building Type, Size and Location:

Research and Development: Tilt-up structures ranging anywhere from 30,000 square feet for a startup to more than 100,000 square feet for development. Their facilities will need to be able to handle everything from large equipment to chemical storage. R&D is likely to locate in Silicon Valley because of the venture capital located here.

Production: Warehouse space, and older vintage and lower quality structures more than 100,000 square feet in size. Their facilities will need to be able to handle everything from large equipment to chemical storage. Sunnyvale has limited space available for this type of manufacturing. Production manufacturing is less likely to locate in Silicon Valley because of the high cost of land.

Integrators: Basic office space used for service personnel with some space for storage. Class A office space is not a requirement for these types of businesses. Integrators look at going into market areas based on the economics of the area. Integrators are likely to locate in Silicon Valley as California is the largest U.S market.

- Power Supply: Development and production of solar panels demands a great deal of power; around six megawatts can be expected. Solar products, which will help save future power, need a tremendous amount

of power to be manufactured today. The power demands for integrators are in the scope of general offices. PG&E is the main power supplier for all cities in Silicon Valley with the exception of Palo Alto and Santa Clara.

Research and Development: high energy use

Production: high energy use

Integrators: average energy use

- **Workforce Availability**: Solar panel manufacturers and integrators both need access to a talent pool. One of the biggest challenges is the severe shortage of qualified people. Even though the wages and benefits are attractive and there are many jobs in the industry (design, manufacturing, sales, logistics, installation, operations, maintenance, etc.), there are few solar-specific training courses available in Silicon Valley. As a result, solar employers are experiencing increasing difficulty in meeting the growing demand for solar workers. SolarTech estimates that there are currently 1,000 to 2,000 workers employed in the solar industry in Silicon Valley. At the projected growth rate it is anticipated that there will be a need for another 10,000 to 20,000 solar workers in Silicon Valley over the next decade (approximately 60 percent in manufacturing and installation, 20 percent in sales and marketing, and 20 percent in engineering).

Research and Development: high demand (e.g., Device Engineer, Reliability Engineer, Testing Engineer etc.)

Production: high demand (e.g., Operation Manager, Equipment Maintenance Technician etc.)

Integrators: high demand (e.g., Design Engineer, Field Marketing Manager, Foreman, Installer, Operations Manager, Residential Solar Consultant etc.)

The Benefits of Attracting Solar Energy Companies

Investigating the feasibility of attracting solar businesses to locate in Sunnyvale, was a result of City Council interest in seeing Sunnyvale take a leadership role in attracting environmentally friendly and socially responsible businesses. In determining the benefits of attracting solar companies to Sunnyvale beyond the expected increases received from secured and unsecured property taxes generated by all business making large capital investments in equipment and infrastructure, the adopted priorities for business attraction

(top sales tax producers, high-profile corporate headquarters and emerging growth industries) must be analyzed.

Top sales tax producers: The City would not receive any sales tax revenue from solar manufacturers or integrators, since their products are sold on a wholesale basis. Solar installers would generate use tax revenue. Use tax is not identified with a registered place of business. The tax is normally allocated to the City via the county allocation pools. This involves allocating the revenue to the county where the property is first placed into use and then dividing it among each jurisdiction in that county based on the ratio of taxable sales.

High-profile corporate headquarters: At this point in time, there are few solar companies that could be described as high profile. Since the industry is fairly young, that could change, but it's not a certainty that any company will emerge as a household name. One of the larger profile companies is First Solar, currently headquartered in Tempe Arizona. They are a leading manufacturer of solar panels using a process that transforms a piece of glass into a complete solar module that produces a high energy yield across a wide range of climatic conditions. First Solar has explored potential expansion locations in the Bay Area.

Emerging growth industries: Attracting solar companies can create a cluster identity for a collective green tech industry that promotes the City's sustainability focus. This is a great way to attract quality, high-paying jobs to Sunnyvale, make the City attractive to startups, and facilitate the development of long-term partnerships with companies that will make large capital investments in equipment and infrastructure.

Other Communities Actions to Attract Solar Energy Companies

To determine the best strategy for Sunnyvale to undertake if it's decided that solar companies are a viable target market for economic development, it is important to understand the competitive landscape. Staff has limited the research to the South Bay cities of Mountain View, Santa Clara, Cupertino, Campbell, Los Gatos and San Jose.

San Jose presents the biggest challenge in terms of competing on an even playing field, since its Redevelopment Agency has the ability to spend money to attract solar companies. The City of San Jose Redevelopment agency invested approximately \$2.7 million for infrastructure improvements, equipment and workforce training that resulted in attracting three solar companies to relocate within San Jose.

Mountain View, Santa Clara, Cupertino, Campbell and Los Gatos have not rolled out economic development activities that specifically target solar

companies. Santa Clara's lower power rates may be one of the reasons that city has attracted a number of solar manufacturers.

Clean and Green Focus Group/Solar Roundtable

On September 9 and 10, 2008, staff held two separate outreach meetings with representatives involved in the clean and green and solar industries (Attachment C). Given the fact that the solar industry is still very much in its formative stages, the conclusion the Clean and Green Focus Group reached was that Sunnyvale should not focus on one industry. It was recommended that Sunnyvale take advantage of its current green attributes and focus on the willingness to provide the best business environment for clean and green companies.

The Solar Roundtable panel emphasized that Sunnyvale needs to avoid creating any barriers. It was discussed that Sunnyvale is not going to be able to compete with large cities that have massive redevelopment funds to use as incentives. The conclusion was reached that if you can't win the financial incentive strategy, win the expedited permit strategy, do the required outreach needed to both get companies' attention and ensure that they feel welcome. Outreach should include contacts from the Mayor and/or City Manager of Sunnyvale to emphasize the City's strong businesses support and commitment to attracting and retaining these companies. The panel recommended that the City promote what can be expected as far as the permit process, and tout it on the Sunnyvale website. Additionally, the City should promote the excellent relationship staff has with PG&E, and continue to work with brokerage companies that are representing the tenants.

Statistics presented indicate that California's green businesses are located overwhelmingly in two segments: energy generation and energy efficiency. Although creative marketing solutions to attract companies can be focused toward the energy generation and energy efficiency segments of the industry, it is important to understand what kind of clean and green businesses will likely remain in Sunnyvale over the long term. While R&D manufacturing operations may get their start here, expansion of manufacturing is likely to move on to less expensive areas once companies start full production. It is important to note, that companies will in all probability relocate to other states not internationally.

Attracting Solar Companies to Sunnyvale

Business attraction is a Citywide effort that requires participation by elected officials, City departments and business organizations. Economic Development serves as a coordinator to bring together the efforts of all participants. Attraction activities are focused on ensuring that Sunnyvale's reputation as a good place to do business is recognized.

When businesses choose between two or more sites/communities, they weigh several factors important to their industry. Incentives are often part of this equation, but typically don't play a role until the last few sites are being compared. Companies tend to move fast; it is imperative to have industry specific marketing information available so businesses are able to explore all the incentives offered in their site selection decisions.

Currently there are three fundamental services the City provides to attract companies to Sunnyvale: incentives, developing industry relationships, and marketing.

- **Incentives:** The City of Sunnyvale is not in a position to be able to offer financial incentives to entice companies to locate here. Therefore, coming up with less tangible but still valuable incentives that will keep Sunnyvale competitive with other Silicon Valley cities is critical. The most important incentive provided by the City of Sunnyvale for businesses to locate here has been the development of a streamlined and coordinated permitting process and a customer service attitude that sets it apart from other Silicon Valley cities. Also, most if not all of Sunnyvale's fees and taxes are lower than or remain competitive with neighboring cities. The following are the incentives currently offered by Sunnyvale for business attraction:

One-Stop Plan Check & Permit Process: The City of Sunnyvale One-Stop Permit Center, established in 1985, provides fast and convenient development related services, including obtaining permits and business licenses as well as development and business operation information. Businesses indicate that "time-to-market" is one of the top driving forces used in site selection decisions. Delays in construction permitting can cost more than financial incentives received.

Customer Service: Sunnyvale has built a reputation for good customer service. Customer service includes consistency, fairness, positive attitude, and a staff committed to finding solutions and solving problems.

Ombudsman: The Economic Development staff often leads a project management team for guiding companies through the City's permit processing and the regulatory process. Economic Development works with Planning, Building, Neighborhood Preservation, other City departments, and outside agencies such as PG&E, as appropriate, to support businesses for the duration of a project.

Action/Advocacy Teams: Economic Development assembles a task force as needed to support and collaborate on major development

projects and site selection processes, or to address a business issue. Teams are tailored to the needs of a specific company or issue.

Site Identification: Economic Development offers companies seeking to locate a new facility in Sunnyvale assistance in locating a site. Staff updates the inventory of potential sites through its network with local commercial real estate brokers and property owners, and offers site location assistance on the Economic Development website.

Workforce Recruitment and Screening: The City offers assistance in recruiting and screening employees through NOVA, Connect! and ProMatch.

Job Training: NOVA helps companies grow their businesses, prepare for workforce reduction, meet hiring goals, lower training costs and reduce employee turnover. NOVA also works with the State Employment Training Panel for job training.

Real Property Transfer Tax and Utility Users Tax: Two of the City's general taxes currently have rates significantly lower than countywide or statewide averages. These are the Real Property Transfer Tax and Utility Users Tax (UUT). Sunnyvale currently charges UUT for usage of electricity, natural gas and intrastate telephone. Sunnyvale does not apply the UUT to water, sewer, cable, and interstate telephone calls.

- Developing Industry Relationships: The strategy associated with business attraction includes a proactive program of generating contacts with site selectors, brokers, businesses, developers and PG&E officials. It is also valuable to attend targeted industry related events and conduct business visits with targeted companies to learn more about their industry and develop important contacts. By selectively attending industry events like conferences and trade shows, staff can keep up-to-date on the latest developments and do some "grass roots" marketing, touting Sunnyvale's benefits as a company location. Visiting companies that are already located here will help staff solidify their commitment to the City and also provide us with valuable insight into industry trends.
- Marketing: Developing targeted marketing materials can assist in the attraction of a specific industry. Marketing materials are both hard copy brochures and Web-based information. Marketing ads are placed in selective trade publications. The materials include information depicting Sunnyvale's incentives that will serve the targeted industry.

The marketing priorities are to develop strategies to attract companies involved in targeted industry clusters (top sales tax producers, high-profile corporate headquarters and emerging growth industries). The

strategies are flexible enough to entertain new direction from City Council on specific industries.

This study began with a premise of marketing the “Sun” in Sunnyvale and taking advantage of the economic/business friendly reputation of Sunnyvale to attract solar companies. While staff would certainly suggest that any targeted marketing efforts directed at the solar industry should be focused on a theme around the Sun, other factors (e.g., available sites, land and development cost, energy cost etc.) influence companies decision to locate in Sunnyvale.

The City of Sunnyvale has laid the groundwork to position itself as a “green-friendly” City by including a green page on the website and hiring a coordinator to deal with sustainability issues. Broadening an attraction campaign beyond solar companies to include all clean and green companies would fall into the existing priorities of attracting emerging growth industries and would be more cost effective.

Restructure of Economic Development Program

Currently, at the direction of former City Manager Chan, staff is looking at the entire Economic Development Program to determine how it can be restructured. This will include restating all the program’s goals and priorities, as well as reviewing all the activities, measures, and budget structure needed to support the program. Staff has hired a consultant to assist in this endeavor. A study session with City Council was completed in June 2008 to get initial direction on the restructured program. Staff is scheduled for a second study session with City Council in January 2009 to present suggested program changes.

FISCAL IMPACT

Approval of the Economic Development business attraction strategy has no fiscal impact. The strategy will be implemented within the proposed budget for FY 2008/09 and 2009/10. Should Council make adjustments to the proposed funding during the review process of the Economic Development program restructure, the strategy will be revised to reflect those changes.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall, in the Council Chambers lobby, and also making it available at the Office of the City Clerk, library, Senior Center, Community Center and Department of Public Safety. The agenda and report were posted on the City’s Web site, and the report was made available at the library and the Office of the City Clerk.

ALTERNATIVES

1. Develop a targeted economic development initiative to attract solar businesses with a focus on energy generation and energy efficiency.
2. Develop a broader economic development initiative to attract businesses in the clean and green industry with a focus on energy generation and energy efficiency.
3. Maintain existing businesses attraction efforts without a targeted economic development initiative for clean and green industry.

RECOMMENDATION

Staff recommends Alternative 2: Develop a broader economic development initiative to attract businesses in the clean and green industry with a focus on energy generation and energy efficiency. The initiative would be a coordinated program that could include actions such as: a marketing program with a green industry resource website and updated city promotion materials; strategic and multi-faceted business outreach; support of state and federal legislation that offers incentives for green industries; promotion of incubator building space for start-up businesses; and strategies to alleviate permit processing impediments. If approved, the economic development initiative would be incorporated into the Economic Development Strategy with a suggested budget allocation.

Additionally, staff will continue to promote and provide incentives to attract and retain clean and green businesses as discussed in this staff report. Proactive economic development efforts include working closely with these businesses to understand their expansion and facility needs, and coordinating early consultation between the businesses and city staff to expeditiously resolve zoning, building and fire code issues.

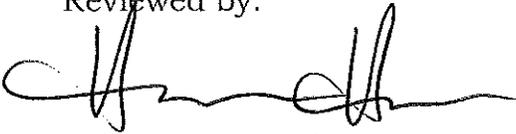
While staff recommends developing a targeted economic development initiative, staff does not recommend focusing specifically on the solar industry. Broadening Sunnyvale's Economic Development attraction and retention efforts to include all clean and green companies is recommended. Sunnyvale can maintain a focus in the largest segments of energy generation and energy efficiency, and come up with creative solutions to attract companies in these sectors with a theme around the Sun. It is also important to understand the types of clean and green businesses that are liable to remain in Sunnyvale over the long term. While manufacturing operations may get their start here, they are likely to move on to less expensive areas once the production stage starts. Staff recommends a strategy to encourage R&D operations and corporate

headquarters to locate here, along with functions such as customer service, engineering, and technical support.

Sunnyvale faces stiff competition from other cities. Sunnyvale should further highlight its competitive advantages, which include a favorable business climate and expedited permitting service. An emphasis should be placed on developing and marketing the services of a trained permitting team that understands the real estate and facility needs of clean and green industries.

Marketing Sunnyvale involves differentiating our City to make it the first choice for companies and promoting our services, advantages and achievements. For instance, Sunnyvale is ranked as the 13th Greenest City in America (as noted by Popular Science magazine). That fact could be prominently highlighted on the City's home page, with a direct link to the green resources page. The City can publicize its various green activities and emphasize its support of sustainable businesses as part of an overall strategy to encourage clean and green companies to locate their headquarters in Sunnyvale.

Reviewed by:



Hanson Hom, Director, Community Development

Prepared by: Brice McQueen, Business Development Manager

Approved by:



Gary Luebbers
City Manager

Attachments

- A. Encouraging Solar Businesses to Locate in Sunnyvale (Study Issue Paper)
- B. Goals, Priorities, and Action Strategies for the Economic Development Program FY 2006/07 and 2007/08
- C. Clean and Green Focus Group / Solar Roundtable meeting notes

ATTACHMENT A

Study Issue Paper

Proposed New Council Study Issue

| | |
|------------------------------|---|
| Number | CDD-47 |
| Status | Pending |
| Calendar Year | 2008 |
| New or Previous | New |
| Title | Encouraging Solar Businesses to Locate in Sunnyvale |
| Lead Department | Community Development |
| Element or SubElement | Community Vision Element |

1. What are the key elements of the issue? What precipitated it?

This Study Issue was proposed so that staff can explore options on how to attract solar companies to Sunnyvale by taking advantage of the city's name and economic/business advantages. Councilmembers have expressed an interest in taking a leadership role in the attraction of environmentally friendly and socially responsible businesses; solar related businesses are a subset. This study would first include research on understanding the types of solar related industries, the challenges solar related companies face in identifying locations and to understand how they make their location decisions. The study would then include recommendations on how the City can use the city's name and economic/business advantages to attract solar related industries to Sunnyvale.

2. How does this relate to the General Plan or existing City Policy?

This issue relates to Goals III and X of the Community Vision Element.

III. ENVIRONMENTAL SUSTAINABILITY: To promote environmental sustainability and remediation in the planning and development of the city, in the design and operation of public and private buildings, in the transportation system, in the use of potable water, and in the recycling of waste.

Sustainability is a practice of meeting the needs of the present without compromising the ability of future generations to meet their own needs. It requires the utilization of natural resources at rates no greater than nature can replace them. There is a growing awareness that our planet's environment is fragile, and that every person and every community must do its part to protect the environment. Past environmental degradation must be remediated. The City will seek opportunities to utilize "green" practices in its operation and delivery of services, and encourage residents and businesses to adopt such practices. These might include reduced use of non-renewable energy, reduced emissions of greenhouse gases, greater recycling of waste and use of recycled materials, reduced per capita use of potable water, green building design, and reduced storm water runoff.

X. ROBUST ECONOMY: To retain, attract and support strong and innovative

businesses, which provide quality jobs for the city's workforce, tax revenue to support public services, and a positive reputation for Sunnyvale as a center of creativity and productivity.

Sunnyvale sits in the very center of the Silicon Valley, world renowned for its innovative and entrepreneurial spirit. The businesses which have grown up in the community bring wealth to its residents and cutting edge products to the world market. But the competition for such businesses, among the cities of the region and among similar regions throughout the world, is intense. To maintain its position of predominance, Sunnyvale must continue to provide opportunities for strong and innovative businesses, both large and small, including start-up companies and headquarters of large successful companies, to locate in the city; and it must strengthen its reputation as a business friendly community.

3. Origin of issue

Council Member(s) Moylan
 General Plan
 City Staff
 Public
 Board or Commission none

4. Multiple Year Project? No Planned Completion Year 2008

5. Expected participation involved in the study issue process?

Does Council need to approve a work plan? No
 Does this Issue require review by a Board/Commission? No
 If so, which?
 none
 Is a Council Study Session anticipated? No
 What is the public participation process?
 Outreach to solar companies.

6. Cost of Study

Operating Budget Program covering costs
 247-Economic Prosperity
 Project Budget covering costs
 Budget modification \$ amount needed for study
 Explain below what the additional funding will be used for

7. Potential fiscal impact to implement recommendations in the Study approved by Council

Capital expenditure range None
 Operating expenditure range \$500 - \$50K
 New revenues/savings range None

Explain impact briefly
 Depending on the Study Issue's final outcome, there could be increased operating expenditures for this program. The final program may include some monetary incentives as well as a targeted marketing program. Both of these will have an impact on the operating budget.

8. Staff Recommendation

Staff Recommendation Against Study

If 'For Study' or 'Against Study', explain

Staff believe that Council's current policies allow staff to explore options to attract solar companies to Sunnyvale on an administrative/operational basis. No further policy consideration is necessary at this time.

9. Estimated consultant hours for completion of the study issue

150

Managers

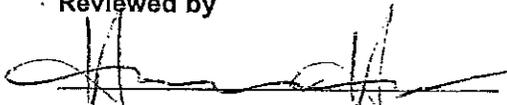
| Role | Manager | Hours | |
|---------|------------------|---------------|--------------|
| Lead | Verceles, Connie | Mgr CY1: 90 | Mgr CY2: 0 |
| | | Staff CY1: 0 | Staff CY2: 0 |
| Support | Fatapour, Ali | Mgr CY1: 10 | Mgr CY2: 0 |
| | | Staff CY1: 0 | Staff CY2: 0 |
| Support | Ryan, Trudi | Mgr CY1: 8 | Mgr CY2: 0 |
| | | Staff CY1: 16 | Staff CY2: 0 |

Total Hours CY1: 124

Total Hours CY2: 0

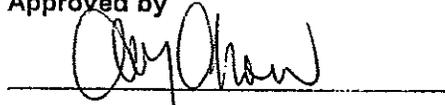
Note: If staff's recommendation is 'For Study' or 'Against Study', the Director should note the relative importance of this Study to other major projects that the Department is currently working on or that are soon to begin, and the impact on existing services/priorities.

Reviewed by


 Department Director

1/2/08
 Date

Approved by


 City Manager

1/3/08
 Date

Addendum

A. Board / Commission Recommendation

Issue Created Too Late for B/C Ranking

| Board or Commission | Rank | Rank 1 year ago | Rank 2 years ago |
|---|------|--------------------|---------------------|
| Arts Commission | | | |
| Bicycle and Pedestrian Advisory Committee | | | |
| Board of Building Code Appeals | | | |
| Board of Library Trustees | | | |
| Child Care Advisory Board | | | |
| Heritage Preservation Commission | | | |
| Housing and Human Services Commission | | | |
| Parks and Recreation Commission | | | |
| Personnel Board | | | |
| Planning Commission | | | |
| Board or Commission ranking comments | | | |

B. Council

Council Rank (no rank yet)
Work Plan Review Date (blank)
Study Session Date (blank)
RTC Date (blank)
Actual Complete Date (blank)
Staff Contact Rodriguez, Maria

ATTACHMENT B

Goals, Priorities, and Action Strategies

**Goals, Priorities and Action Strategies
for the
Economic Development Program
FY 2006/07 and 2007/08**

Business Attraction Goal: Undertake marketing to attract businesses in targeted industry clusters to provide a stable tax base to support City services and to create quality jobs for Sunnyvale residents.

- **Priorities (targeted industry clusters):**
 - **High-tech businesses in general, and biomedical device companies in particular**
 - **Large sales tax producers (retail and industrial businesses)**
- *Typical action strategies to be undertaken by staff based upon adopted goal and priorities:*
 - *Maintain a strong relationship with brokers*
 - *Undertake selective marketing in trade publications*
 - *Upgrade City website*
 - *Help interested businesses find appropriate sites in Sunnyvale*
 - *Assist new businesses through the development approval and permitting process*

Business Retention Goal: Establish positive relationships with individual businesses to encourage them to remain in Sunnyvale, and provide support and assistance to those who need to expand.

- **Priorities (targeted industry clusters):**
 - **Large sales tax producers (retail and industrial businesses)**
 - **Businesses requiring relocation or expansion**
 - **Ethnic and small businesses**
- *Typical action strategies to be undertaken by staff based upon adopted goal and priorities:*
 - *Assist existing businesses through the development approval and permitting process for expansion and relocation*
 - *Provide ombudsman assistance to businesses based on issues of individual businesses*
 - *Conduct business visits, roundtables and forums*
 - *Distribute business newsletter to Sunnyvale businesses four times a year*
 - *Conduct business events (Rising Star and Business Resource Fair)*
 - *Promote government and non-profit resources to businesses*
 - *Promote Sunnyvale as a destination (Budget Supplement)*

Office/Industrial Building Inventory Goal: Promote investment and reinvestment in industrial neighborhoods to provide an appropriate amount of Class A, B, and C buildings, so as to remain competitive in attracting high-tech companies and headquarters offices.

- **Priorities (targeted industry clusters):**
 - **High-tech businesses**
 - **Businesses looking to locate corporate headquarters**
- **Priorities (targeted locations):**
 - **Moffett Park**
 - **Peery Park**
- *Typical action strategies to be undertaken by staff based upon adopted goal and priorities:*
 - *Conduct forum with brokers, developers, Moffett Park property owners and businesses to promote incentives in the Moffett Park Specific Plan*
 - *Develop strategy for reinvestment and redevelopment of buildings in Peery Park to increase Class A and B structures*

Retail Services Goal: Support and attract businesses which provide a variety of needed retail and other services for our residents at locations which are convenient for them.

- **Priorities (targeted industry clusters):**
 - **Businesses providing goods and services which are not now conveniently available to Sunnyvale residents**
 - **Large sales tax producers**
- **Priorities (targeted locations):**
 - **Downtown**
 - **El Camino Real**
 - **Tasman/Fair Oaks commercial area**
- *Typical action strategies to be undertaken by staff based upon adopted goal and priorities:*
 - *Promote redevelopment of Town Center Mall property*
 - *Identify sites for new and expanded retail opportunities through the revision of the El Camino Real Precise Plan*
 - *Promote location of grocery store at Tasman/Fair Oaks*

Downtown Redevelopment Goal: Manage the redevelopment of downtown in a manner which creates a vital and attractive commercial, social and symbolic center of the city.

- **Priorities (targeted industry clusters):**
 - **Retail and restaurant businesses**
 - **Personal and professional service businesses**
 - **Hotels**
- **Priorities (targeted locations):**
 - **Town Center Mall**
 - **Town and Country Village**
- *Typical action strategies to be undertaken by staff based upon adopted goal and priorities:*
 - *Promote redevelopment of Town Center Mall and Town and Country Village*
 - *Coordinate construction mitigation measures during construction*
 - *Support creation of a Business Improvement District*
 - *Administer the Parking Maintenance District assessment process*

Business Friendly Climate Goal: Promote a business-friendly attitude among City employees and elected officials and utilize their regular contacts with the business community as tools in the economic development program.

- *Typical action strategies to be undertaken by staff based upon adopted goal:*
 - *Meet with City staff to encourage their role in economic development*
 - *Work with City Council to identify business issues and concerns through their business and community contacts*
 - *Promote the value of businesses to Sunnyvale residents*
 - *Assist businesses in participating in community activities*

ATTACHMENT C

Focus Group/Roundtable Meeting Notes

MEETING NOTESFocus Group - Green/Clean, September 9**Accomplishments:**

- “Cheaper than Mountain View and Palo Alto, and classier than Santa Clara.”
- Taxes are not a big issue, just lease terms (only lease space, rarely do these firms own a building)

Suggestions

- **MARKETING:** Sunnyvale as “Home to Green Companies.” Or “We’re already home to Green Technology.” “We’re a friendly place to start a green-tech company!” Along with website, send out information to VC’s, Labs and Local Universities.

Make one coherent list of Green Companies that already operate out of Sunnyvale (print ads not necessary)

Information Packet @ Economic Development: List of real estate agents, list of procedures and contact points. Assist building new production facilities. Assist with finding suitable spaces for new green tech businesses.

Website: List Task Force, or contact person, on the site. Clarity of “friendly” message, one “green” person assigned to receive inquiries.

Couple Economic Development Goals with Business Retention: City could commission Clean-tech product from these firms.

- Showcase projects with new green technology in civic development projects.
- Offer incentives in face of competing Cities/ States.
- Rail Transportation Improvement- there is a new demand for this service for Solar Manufactured products.
- Access to Bay via Yahoo property. Ability to dredge up to 35 feet.
- Create Partnerships between Gas and Power Systems. Methane generation output from landfill sites; ability to reuse this like SSF.

Solar Roundtable, September 10

Study issue – Council had three things they wanted to understand

1. Types of solar related industries
 2. Challenges of solar related companies face in identifying locations
 3. Understanding how they make their location decisions
- The global demand is about 1/3 Germany, 1/3 Spain, 1/3 all the rest (US is 10% of other, Japan is 5%, the rest of Europe is 6%).
 - Europe is a big market. It leads to anxiety in the market as to what might be happening in Europe. Prices may come down by 15-20%. First time in years there may be an oversupply of silicon products. It might be more competitive with thin film products. With prices going down it becomes more competitive.
 - PG&E philosophy is to get the best cost. Market has grown 10 fold over the last 5 years. State incentives for residential is \$2,000. Japan is the only market that is trying to do it without incentives or rebates. The current technologies are 90% crystal and silicon, 10% is thin film.
 - A lot of research in solar is happening in Silicon Valley. \$60m in venture capital spent in 2007 in this area on research. Top 5 manufacturers Sharp, Kyocell, Suntech, First Solar, Cyoair. Some past big manufacturers have dropped off the list completely. Top utilities are Edison, PG&E, Nevada Power.
 - When installers look at going into a new market they look to see if the economics add up. The number one factor for the customer is the payback. In this region with current dollars that you get through PGE and CSI, if you are at 12 years or less payback you are doing well.
 - If you want more solar companies to come here, reach out to them. Installers (integrators) are living on the economics of today. The market will be stable here for a very long time. Getting other integrators here for the long term is possible. Look at who is growing quickly, who the top integrators are, who has the top products, and reach out to that person.
 - Integrators are getting their product from manufacturers in China. Sunnyvale doesn't have a lot of warehouse space left, older vintage and lower quality. Need to focus energy on determining whether or not we have the product solar companies are looking for as far as facilities. Need to concentrate on R&D type facilities. R&D will stay here in the valley because this is where venture capital is at and the pool of talent. Still a demand but low from solar companies to locate here for light R&D/manufacturing but what keeps them away is the high cost of housing.

- There are 197 companies in clean tech in Silicon Valley; 81 are doing some form of energy generating; 41 energy-efficiency; 22 advanced materials; 13 air environmental quality; 11 energy generation or fuel; 10 transportation logistics; 5 energy storage; 4 air environmental quality; 4 financing; 3 energy infrastructure; 2 water purification; 1 manufacturing/industrial. Base square footage that these companies currently occupy is 2 million square feet.
- What Sunnyvale needs to do to attract solar industry is to avoid increasing further barriers for entry into Sunnyvale. Sunnyvale is not going to be able to compete with large cities that have massive redevelopment funds to use as incentives.
- What Sunnyvale can do to attract companies:
 - ✓ Expedite permits
 - ✓ Outreach
 - ✓ Have Mayor or City Manager make calls to companies that are looking for buildings. Explain the reasons why they need to come to Sunnyvale.
 - ✓ Promote what the tenants can expect as far as the permit process and tout this on website.
 - ✓ Promote your excellent relationship with PG&E. Work with PG&E on putting an incentive package together.
 - ✓ Continue reaching out to brokerage companies that are representing these tenants, Let them know what Sunnyvale can do.
 - ✓ Identify the companies you want and invite them to investigate Sunnyvale's market.