

**CITY OF SAN CARLOS
ECONOMIC DEVELOPMENT ADVISORY COMMISSION (EDAC)
Approved Minutes of January 24, 2017 Meeting**

1. Call to Order

Vice Chair Nancy Luscri called the meeting to order at 4:05 p.m.

Commissioners present (6):

Nancy Luscri, Vice-Chair

Sara McDowell

Don Mancini

Greg Matter

Leah McMurtry

Daniel Guhr

Absent (1):

Josh Zaroor, Chair

Advisory:

Al Savay, Community and Economic Development Director

Nell Selander, Economic Development Coordinator

2. Pledge of Allegiance

3. Agenda Review

No changes.

4. Approval of Minutes

November 29, 2016 Meeting Minutes Approved [Motion/Second: McMurtry/Mancini].

5. Public Comment

No public comment.

6. New Business

A. Business Roundtable Discussion. Conversation with executives from local companies on topics including location selection, workforce recruitment, and doing business in San Carlos.

Vice Chair Luscri introduced the Agenda item and described the purpose of the meeting – to begin exploring how to attract and retain knowledge-based businesses (2016-2019 Economic Development Plan Initiatives 16 and 24).

The attendees introduced themselves: Eric Carnell, Farmer's Business Network; Dylan Smith, Box; and Peter Norman, MarkLogic.

Commissioner McDowell thanked the business representatives for attending and kicked off the conversation with the following question: how did your company select their current location?

- Box, located in Downtown Redwood City:
 - Location big enough for five years of growth
 - Close to former headquarter locations
 - Business-friendly climate
 - Cooperative relationship with the City
 - Proximate to Caltrain

- Farmer's Business Network, moving from Industrial Road to El Camino Real in San Carlos:
 - Nearby homes of current employees
 - Continue to move within San Carlos as they grow

- MarkLogic, located on Skyway Road in San Carlos:
 - Great location for employee base
 - Ability to grow in one location (from 1,800 square feet to 40,000)
 - Nice building, although odd location (it's a trade-off)

There was agreement among the business representatives that during initial growth of the company, they moved frequently as they needed more space. But then as the companies matured, there was a desire to secure a site which would accommodate future growth. This was important to corporate culture.

Commissioner Matter asked if traffic impacts recruitment. General consensus was that it can be an issue, but that generally people looking for jobs in this region understand traffic is bad. As a result, proximity to transit (Caltrain) or shuttles is important.

Commissioner McDowell asked if the companies were offered incentives by localities or states, or if concessions were made to attract them. The business representatives agreed that incentives were not at play in their decisions to locate in this region. Other regions cannot compete with the engineering talent in Silicon Valley and so those technical positions must

remain here. Companies that can have less technical positions in other states often take advantage of incentives to relocate those positions. Box has offices in Austin, Texas, which had to be seeded by strong leadership from their Silicon Valley headquarters. Many volunteered to relocate.

Commissioner McDowell asked why San Francisco or San Jose was not chosen as headquarter locations for the companies. Farmer's Business Network shared that their business is not glitzy – it's all about farming – and so San Carlos is more aligned with their culture. When farmers visit from the Midwest, this is a great place to bring them. They currently have 45 employees in San Carlos and 75 in the Midwest.

Commissioner Matter asked if the companies would select the same location again. Peter Norman (MarkLogic) shared that they might choose a different building, but they love the community. Dylan Smith (Box) and Eric Carnell (Farmer's Business Network) both agreed they would stay put. Peter Norman added that proximity to airports is key, with the executive team here in San Carlos, there are a lot of heavy travelers that need to get in and out of the region quickly. Dylan Smith added that both Redwood City and San Carlos have been welcoming to their new location and that makes it easy to connect with the community (through volunteering opportunities, etc).

Commissioner Luscri asked where employees eat lunch. Peter Norman shared that getting delivery is common, both by the company and individual employees. Eric Carnell added that Hiller Aviation Museum has a great weekly food truck event during lunchtime and that their current location is next door to Chipotle. They are eager to be within walking distance of Downtown, which their new location is. Box serves lunch and dinner daily, but as Commissioner Manicini pointed out, you still see many Box employees out and about in Downtown Redwood City.

Commissioner McDowell asked if there are regional policies or issues that impact recruitment. Peter Norman shared that their employees in San Carlos tend to be a bit older and more established here in Silicon Valley. As a result, the housing prices and congestion do not come as a surprise. Additionally, the company benchmarks salaries in the region in order to stay competitive. Eric Carnell added that new hires that are new to the area often live in San Francisco at first, but that commuting fatigue develops over time. More established employees tend to live closer to work. Their younger employees eventually migrate down to the Peninsula. Dylan Smith added that although prices are high, everyone is competing for the same talent and with the same constraints. Commissioner Guhr added that his employees – typically young and earning less than tech jobs because of their line of work – experience sticker shock when they move here. He is essentially underwriting their rent now, in order to

maintain employees. Dylan Smith agreed that because attracting employees from out of state is so difficult (because of cost of living here), they have tended to focus more on recruitment within the state.

Commissioner Matter asked if turnover was higher among employees that live in San Francisco. Dylan Smith said turnover is not any higher than any other location.

Commissioner Luscri asked how employees commute to work. Peter Norman said most drive. Eric Carnell said about half drive and half take Caltrain. Dylan Smith estimated seventy percent drive and thirty percent take Caltrain.

Al Savay, Community Development Director, asked if the business representatives thought the unprecedented economic boom the region is currently experiencing is sustainable 10-years out, and if the region provides long-term sustainability for their businesses. Dylan Smith said that this place is unlike other places. Other emerging tech hubs just never pan out the way Silicon Valley has. They even opened an office just outside of MIT, but two-thirds of employees there wanted to be in Silicon Valley, not Boston. The gravity in this region is very strong. That said, if cost of living keeps going up, that could cause a downturn. Lower cost tech locations are experiencing rising costs, too. Eric Carnell agreed, adding that the engineering and data science side of the business really couldn't be moved out of this region. Peter Norman agreed.

Commissioner Matter added that core engineering strength in Silicon Valley is hard to duplicate anywhere else. But that general and administrative functions and sales can sometimes be moved out of the region. He suggested that these function will move south and east. Commissioner Mancini shared that high tech companies may be able to afford offering higher wages to employees, but that other businesses cannot necessarily compete. It is particularly difficult for service, retail, restaurants, and construction. He finished by saying that if there was a train that could get people from the City of Tracy to Silicon Valley in an hour, this would be a different conversation.

Commissioner Guhr noted that tech companies were priced out of the office building in which his business is located. They were replaced with CPAs and attorneys' offices. Dylan Smith added that this can be cyclical, with tech companies attracting funding and scaling very quickly. All tech tenants will present a challenge for landlords if the industry experiences a down cycle.

Commissioner McDowell asked what the City of San Carlos should invest in to attract and retain companies like Box, Farmer's Business Network,

and MarkLogic. Peter Norman said that Laurel Street – the Downtown – is a great community amenity that businesses also enjoy. He expressed a desire to better connect to the Downtown, to be able to take advantage of it more easily (a shuttle would be a benefit if it was very quick and reliable). Parking in the Downtown after work for a happy hour or dinner is very difficult. Eric Carnell agreed, sharing that they have trouble organizing events as a company in the Downtown because parking is so constrained.

Commissioner Luscri asked if the employees at the companies ever take Uber to the Downtown. Eric Carnell suggested ride sharing is utilized less because it lacks flexibility. Employees would have to go back to work to get their car before going home.

Dylan Smith, in response to Commissioner McDowell's question about what the City of San Carlos should invest in, added that the City should keep permitting easy. For companies that are growing and moving every twelve to eighteen months, having to slow down too much to permit a new space is a deterrent to opening in the community, or remaining there. He also suggested that doing more marketing to businesses about San Carlos in order to raise awareness may be productive. Once a few high profile companies locate here, it will catch on. Many do not know about San Carlos, let alone what a good location it is.

Commissioner McDowell asked if the other businesses agreed about increasing marketing. Peter Norman agreed that San Carlos is a great location with a real sense of place – different than Foster City or Belmont, for example. But for many, the Peninsula blends together. He also wondered with all the new construction that is going on, is any of it designed to support existing business. Mr. Savay described the new hotels in development that are designed to serve business travelers. Peter Norman shared that it is very difficult to find hotel rooms nearby. Mr. Savay further added that he expects to see more services opening on the east side of San Carlos that will serve existing office tenants and new office developments in the pipeline.

Dylan Smith asked if the City is trying to attract smaller incubator spaces. Mr. Savay responded that some smaller companies are starting to emerge organically on El Camino Real.

Commissioner Matter suggested perhaps office tenants and Downtown restaurants could collaborate to operate lunchtime shuttles.

Commissioner McMurtry summarized the conversation about marketing and new office-serving development, suggesting that better marketing to businesses already operating in San Carlos could increase awareness of

the City in the business community. Others agreed this was a strong idea to pursue. Relatedly, Mr. Savay suggested a Transportation Management Association could help facilitate these coordinated initiatives between office tenants and office-serving retail and personal services.

The Commissioners thanked the business representatives for attending the meeting and sharing so much information about their companies. The Commissioners agreed meetings like this one should be continued with different segments of the local economy.

7. Old Business and Reports

A. General Updates

No updates.

B. Subcommittee Reports

No updates.

8. Future Meeting Dates and Agenda Items

February 28, 2017 – Topics to be discussed: lessons learned from business roundtable, pace of change in San Carlos and communication to the public, and agenda planning for 2017.

9. Adjournment

Meeting adjourned at 5:45 PM.