



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: January 3, 2007

Approved

Date

1-8-07

COUNCIL DISTRICT: 3

**SUBJECT: AGREEMENT BETWEEN THE CITY OF SAN JOSE AND ZEROONE –
THE ART AND TECHNOLOGY NETWORK FOR TRANSITIONAL
PLANNING COSTS FOR THE 2008 ZEROONE SAN JOSE FESTIVAL**

RECOMMENDATION

Approval of a grant agreement between the City of San Jose and ZeroOne – the Art and Technology Network to support transitional planning costs for *ZeroOne San Jose: A Global Festival of Art on the Edge*, to be conducted in June 2008 in San Jose, in a total amount not to exceed \$100,000.

OUTCOME

This City support will enable ZeroOne to retain and recruit key planning and fundraising staff and plan for a June 2008 *ZeroOne San Jose: A Global Festival of Art on the Edge* (“ZeroOne San Jose”). A new Development Director will be recruited to lead corporate and philanthropic fundraising. Potential donors will view City transitional support for the next phase of *ZeroOne San Jose* as confirmation that *ZeroOne San Jose* is a civic priority and that their investment in the 2008 *ZeroOne San Jose* will be valued, leveraged and successful.

BACKGROUND

In the City Manager’s 2005-2006 Annual Report, adopted by City Council on October 17, 2006, a percentage of additional Transient Occupancy Tax (TOT) revenue, totaling \$255,897, has been allocated for funding of cultural grants and the programs and expenses of the Office of Cultural Affairs (OCA), a division of the Office of Economic Development (OED). Municipal Code Section 4.72.060 defines these limitations on the use of this portion of TOT revenues.

Arts Commission guidelines adopted in 1997 identify the following broad eligible uses of additional TOT revenues received through the Annual Report (“Mid-Year Unallocated TOT”):

1. To assist arts organizations to meet unanticipated one-time emergency needs that threaten the existence of the organization or program.
2. To support Commission and/or OCA sponsored high profile, non-recurring events/projects that will have substantial impact.
3. To support Commission and/or OCA identified initiatives with the potential for long-range impact on arts programs and/or the arts community as a whole.
4. To support extraordinary opportunities encountered by arts organizations that they could not have anticipated when their annual requests for City arts grants funding were made.

On December 13, 2006, the Arts Commission recommended that \$100,000 of the currently available Mid-Year Unallocated TOT be used on a one-time basis to support transitional costs for planning the 2008 *ZeroOne San Jose: A Global Festival of Art on the Edge*. As an inclusive, unique, biennial event celebrating the intersection of art and technology, the *ZeroOne San Jose* is a catalyst for long-range impact on the San Jose arts community as a whole (#3 above).

ANALYSIS

ZeroOne San Jose Festival

The City of San Jose is a co-partner, along with seven other institutions - San Jose State University (SJSU), San Jose Museum of Art (SJMA), San Jose Convention and Visitors Bureau, Montalvo Arts Center, The Tech Museum of Innovation, ZeroOne: The Art and Technology Network, and Cultural Initiatives Silicon Valley - in the founding and development of *ZeroOne San Jose*. The idea of an international caliber festival celebrating Silicon Valley-style creativity was a major recommendation of the *Vision 20/21 Regional Cultural Plan* adopted by the City in 1997. The concept of making San Jose the North American epicenter for art and technology was a major recommendation of San Jose’s 2003 *Economic Development Strategy*.

Since the successful launch of *ZeroOne San Jose* in August 2006, the ZeroOne Board of Directors and Festival Director Steve Dietz have been debriefing with Festival sponsors and partners about the inaugural 2006 festival and developing a go-forward plan for the 2008 *ZeroOne San Jose*.

The 2008 ZeroOne San Jose is calendared for Wednesday, June 4 through Sunday, June 8, 2008. Five days of concentrated, high-profile, kick-off activity Downtown will lead to eight consecutive weeks of ongoing exhibitions and related performances.

Compared to the inaugural festival, the 2008 *ZeroOne San Jose* will have more international caliber, “spectacle” artworks in fewer, high-visibility places and will be more accessible to the general public. City Hall is envisioned once again to be a major venue with a night-time light projection, a major exhibition in the Rotunda, an Opening Awards Ceremony, and an evening public lecture series.

Need for Transition Funding

As ZeroOne meets with potential corporate and foundation partners, it is becoming essential to know that the City is financially committed to supporting ZeroOne San Jose in its next stage. As with the start-up phase, corporations and foundations view City financial support early in the second phase of ZeroOne San Jose as absolutely critical for ensuring that ZeroOne San Jose is a civic priority and that their investment will be valued, leveraged, and successful.

In addition, there is a critical need for transition funding to retain key staff (e.g., Festival Artistic Director Steve Dietz), and to bring on a Development Director to lead the corporate and philanthropic fundraising. The recommended grant is earmarked to support these personnel costs and other related costs for the transitional year.

Cost-Benefit

ZeroOne San Jose brings several unique benefits to the community that mean it should continue to its next phase, be supported solidly by the City, and also be differentiated from other festivals and events that are supported through the City's Festival, Parade and Celebration TOT Grant Program, which is primarily supported by TOT.

- *ZeroOne San Jose was designed from the beginning to advance the strategic goal of making San Jose the "North American epicenter for art and technology." The inaugural festival proved that this ambition resonates with the local community and with the Silicon Valley region, the media, and the international art world. The other elements of San Jose's strategy include the Airport public art program, collaboration with SJSU New Media Laboratory, supporting the expansion of SJMA as an art & technology exhibition and education center, and more Downtown new media public art (such as the Adobe San Jose *Semaphore* piece, and planned VTA artwork on First Street). The 2006 *ZeroOne San Jose* featured 250 artworks and artists/leaders from 40 countries, and was the largest, most significant festival of its type ever held in North America.*
- *ZeroOne San Jose includes and supports exhibitions and performances of other local cultural organizations, under a common umbrella, and must not be perceived as competing against them. In 2006, for example, six local institutions (in addition to the *ZeroOne San Jose* Founding Partners) participated in *ZeroOne San Jose* with exhibits and events: MACLA, San Jose Institute of Contemporary Art, Works San Jose, San Jose Museum of Quilts and Textiles, Anno Domini, the Association for Viet Arts, and the Children's Discovery Museum. For 2008, ZeroOne is in contact with additional organizations such as San Jose Stage, Symphony San Jose Silicon Valley, and Dimensions Performing Arts about participation. *It is important for ZeroOne San Jose to be perceived as augmenting and showcasing local cultural institutions; rather than competing against them for resources or attention.**
- *ZeroOne San Jose is a key tool to attract national and international media attention to San Jose's cultural community, and to shape the identity of our city. The 'cool' images of *ZeroOne San Jose* 2006—including the Rotunda projection—appeared extensively in the media, in City publications, and on flickr.com (3,000 images) and You Tube (more than 60 independent videos were made and shared). There were more than 135 credentialed media covering the inaugural festival and significant articles appeared in the *New York Times*, *Asahi**

Shimbum, UK Guardian and other national/international newspapers and magazines.. OED and the Convention and Visitors Bureau believe that the ZeroOne identity of creativity at the intersection of art and technology represents a solid opportunity to raise our City's visibility and stature globally if sustained over time.

- *ZeroOne San Jose is one of the City's high-priority collaborative projects with San Jose State University. SJSU has longstanding, strong capability in art and design, including new media.*

City As Fiscal Sponsor

The Office of Economic Development provided seed support for *ZeroOne San Jose* in FY 2004-05 (\$100,000) and FY 2005-06 (\$90,000). In FY 2006-07, the City provided \$100,000 in General Fund support to provide venues/facilities for the 2006 *ZeroOne San Jose*, including South Hall, Parkside Hall, California Theater, and the City Hall Rotunda. (Note: the Arts Commission-recommended \$100,000 transitional grant is agendaized for Council approval because it, combined with the FY 2006-07 General Fund grant for venues/facilities support, will exceed the City Manager contract authority threshold.)

City government support has been far exceeded by corporate sponsorships, foundation grants and individual philanthropic support for *ZeroOne San Jose*. The total cost of the 2006 *ZeroOne San Jose* was \$2.1 million for 14 months. The total anticipated *ZeroOne San Jose* budget for the 18-month period January 2007-July 2008 is \$2.5 million.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this agreement does not meet the \$1 million threshold for Criteria 1, this memorandum will be posted on the City's website for the January 23, 2007 Council Agenda.

This item was discussed at publicly-noticed meetings of the Arts Commission's Executive Committee on October 30 and December 4, 2006; and at the Arts Commission meeting on December 13, 2006. The Arts Commission agenda was mailed to all arts organizations and festival producers that currently receive City funding.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and the Budget Office. The Agreement has been coordinated with Risk Management and the City Attorney’s Office.

FISCAL/POLICY ALIGNMENT

The recommended \$100,000 City investment in *ZeroOne San Jose* will be matched immediately by \$230,000 in corporate and individual commitments, and will enable the raising of additional funds.

As part of the Arts Commission’s discussion on this item, staff indicated that the *ZeroOne San Jose* transitional investment constituted a one-time use of Mid-Year Unallocated TOT funds. For the future, staff recommends that City financial support for *ZeroOne San Jose* be institutionalized in the OED/OCA budget for \$100,000 annually in core operating support, with increases in the year the Festival is occurring to support City Hall exhibitions/programming and Festival marketing. For FY 2007-08, a budget proposal will be prepared for *ZeroOne San Jose* support from the City General Fund and the Redevelopment Agency.

The *ZeroOne San Jose* theme of art at the intersection with technology is aligned tightly with the City’s Economic Development Strategy, which envisions San Jose as a “Creative Community that pioneers innovation within and across technology and business, culture and society” and as the “World’s Most Livable Big City, with diverse and distinctive qualities of life.” With multiple venues neighboring Downtown hotels and restaurants, *ZeroOne San Jose* drives economic impact, and bolsters Economic Development Strategy Initiative #4: “Evolve and position Downtown as a unique creative and cultural center of Silicon Valley.”

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: \$100,000
2. TOTAL AGREEMENT/CONTRACT AMOUNT: \$100,000
3. SOURCE OF FUNDING: Fund 461, Transient Occupancy Tax Fund
4. FISCAL IMPACT: The 2008 *ZeroOne San Jose* is anticipated to provide, at minimum, a net incremental tax increase to the City of \$400,000.

HONORABLE MAYOR AND CITY COUNCIL

01.03.07

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BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2006-2007 Adopted Budget Pg	Last Budget Action
461	0096	Cultural Grants	\$4,131,436	\$100,000	N/A	10.17.06; Ord. No. 27888

CEQA

Downtown Strategy 2000 EIR Resolution No. 72767


PAUL KRUTKO
Director, Office of Economic Development

For questions please contact Kim Walesh, Assistant Director, Office of Economic Development, 535-8179.