



COUNCIL AGENDA: 6-6-06  
ITEM: 2.6 (c)

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Paul Krutko

**SUBJECT:** See below

**DATE:** May 31, 2006

Approved

*Deanna Santana*

Date

*6/1/06*

**COUNCIL DISTRICT:** Citywide

**SUBJECT:** PRELIMINARY APPROVAL OF 2006-2007 BUDGET REPORT,  
ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2006-2007  
ASSESSMENTS IN THE HOTEL BUSINESS IMPROVEMENT  
DISTRICT AND SETTING OF A DATE AND TIME FOR THE PUBLIC  
HEARING ON THE LEVY OF ASSESSMENTS

## **REASON FOR REPLACEMENT**

The original memo is being replaced to clarify language on the process related to BID Law and to include a copy of the Hotel Improvement District's budget.

## **RECOMMENDATION**

Preliminary approval of the report as filed by the Hotel Business Improvement District Advisory Board or as modified by Council, and adoption of a resolution of intention to levy the annual assessment for 2006-07, and set June 20, 2006 at 1:30 p.m. as the date and time for the public hearing on the levy of the proposed assessments.

## **BACKGROUND**

The Hotel Business Improvement District ("The BID") was established by the Council in 2006 pursuant to the California Parking and Business Improvement Area Law ("BID Law") to provide revenues for marketing efforts and event opportunities including research, re-branding of San Jose, co-op promotions, new promotional materials and sponsorship of room-night generating events. The Council appointed the board of directors of San Jose Hotels, Inc. as the Advisory

Board (“Advisory Board”) for the BID, to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments.

Pursuant to BID Law, the Advisory Board must come before the Council on an annual basis to present a report to the Council that proposes a budget for the upcoming fiscal year for the BID. The Council must then: 1) review the report and preliminarily approve it as proposed or as changed by the Council; 2) adopt a resolution of intention to levy the assessments for the upcoming fiscal year; and 3) set a date and time for the public hearing on the levy of assessments in the BID. Absent a majority protest at the public hearing, at the conclusion of the public hearing the Council may adopt a resolution approving the budget for Fiscal Year 2006-07 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for Fiscal-Year 2006-07.

### **ANALYSIS**

The Advisory Board has prepared a budget report (the “report”) attached as Attachment A, for the Council’s consideration as the budget for the Hotel BID for Fiscal-Year 2006-07. As required by BID Law, the report has been filed with the City Clerk and contains a list of the improvements, activities, and associated costs proposed in the BID in Fiscal-Year 2006-07. The Advisory Board has recommended no change in the BID boundaries or the method and basis for levying assessments. The proposed assessments in the BID for Fiscal-Year 2006-07 are the same as the original assessments approved for the remainder of Fiscal-Year 2005-06.

### **OUTCOMES**

This action is consistent with the Economic Development Strategy approved by the Council, attracting additional hotel guests to San Jose through increased promotion of the area and seeking new event opportunities (Diversify San Jose’s Economic Base and Encourage Sporting Teams, Events, and Facilities: Initiatives 8 and 12). These new hotel guests drawn to the area will help drive new money into the local economy generating additional jobs and opportunities for the community.

### **ALTERNATIVES**

Not applicable.

### **PUBLIC OUTREACH**

The budget for Fiscal-Year 2006-2007 was reviewed and approved by the Advisory Board at their board meeting on April 24, 2006.

Honorable Mayor and City Council  
May 31, 2006  
Subject: Hotel BID Assessments for FY 2006/07  
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**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, Finance Department, San Jose Hotels, Inc. and the City Clerk's Office.

**COST IMPLICATIONS**

Adoption of the proposed BID budget does not impact City revenue. BID assessments are restricted for use exclusively by the BID.

**BUDGET REFERENCE**

Not applicable.

**CEQA**

CEQA: Exempt, PP05-203



PAUL KRUTKO  
Director of Economic Development

For questions please contact Paul Krutko, Director at (408) 535-8181

Attachment

*Attachment A*

Hotel BID Budget to June 30, 2007

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San Jose Hotels BID Proposed 12- Month Marketing Budget

Based on estimates, it is anticipated that the BID will generate approximately \$1.94 million in its first year with subsequent increases as the number of occupied room nights increase. As such, preliminary first year budget is as follows.

|   |                    |
|---|--------------------|
| <b>Proposed 12-Month Marketing Budget</b>         |                    |
| <b>Based on Rev Projections from Zone A, B, C</b> |                    |
| <b>Revenues</b>                                   | <b>\$2,005,000</b> |
|   |                    |
| <b>Expenses</b>                                   |                    |
| Sponsorship                                       | \$1,002,500        |
| New Promotional Materials                         | \$260,650          |
| Co-Op Promotions                                  | \$360,900          |
| Research/Re-Branding                              | \$200,500          |
| Misc/Opportunity                                  | \$100,250          |
| Administrative Fees                               | \$80,200           |
| <b>Total Expenses</b>                             | <b>\$2,005,000</b> |

Proposed Marketing Program

**1. Research/Re-Branding**

- Primary research designed to improve the targeting and efficiency of BID marketing Dollars. Research designed to benefit the destination as well as specific hotels.
- Competitive Research - Research designed to more clearly understand competitive set and identify competitive weaknesses to sell against.
- Decision Making Research - To better understand the selection process of key meeting and convention decision makers.
- New Opportunity Research - To identify potential new opportunities (i.e., Bio-Tech)
- Analysis and Brand development

**2. Co-Op Promotions**

- In partnership with hotels in the BID, the SJCVB will launch a re-branding campaign (using creative and compelling new messages developed through research) to build a strong presence in the meetings & convention industry.
  - Targeted online and traditional media to key decision makers
  - Develop targeted and custom messages to link the hotels with target segments
  - Familiarization trips

### 3. *New Promotional Materials*

- These are "one-time productions costs" associated with the development of updated promotional materials, used to market the destination. Could also be used as co-marketing opportunities. Items include:
- Photography
- Videography
- Additional and upgraded sales booths

### 4. *Sponsorship*

- Very specific criteria will be established for allocation of these funds
  - Decision-making committee will include GMs, CVB and TSJ
  - Funds will be used to increase the competitiveness of the destination
  - Uses will benefit multiple properties and the city in general
  - Funds may also be used to close the deal – monies put into reserve
- Sponsorship opportunities include but not limited to the following:

- Facility Added Value/Enhancements
- Official Welcome
- Transportation Services
- Banners & Signage
- Special Event Requirements
- Outdoor Receptions
- Dine Around Opportunities
- Entertainment

### 5. *Miscellaneous/Opportunity*

This category is available for the BID to take advantage of any unexpected opportunities with the year for additional business.

| <b>Zone A (within 1 Mile)</b>   | <b>Rooms</b> | <b>\$2.00</b>       | <b>51%</b> |
|---------------------------------|--------------|---------------------|------------|
| Fairmont San Jose*              | 805          | 364,343.00          |            |
| Marriott San Jose*              | 506          | 229,015.60          |            |
| Hilton San Jose & Towers*       | 354          | 160,220.40          |            |
| Crowne Plaza San Jose Downtown* | 239          | 108,171.40          |            |
| St Claire*                      | 171          | 77,394.60           |            |
| Hotel De Anza*                  | 100          | 45,260.00           |            |
| Hotel Montgomery*               | 86           | 38,923.60           |            |
|                                 | <b>2261</b>  | <b>1,023,328.60</b> |            |

| <b>Zone B (1.1 to 3 Miles)</b>                            | <b>Rooms</b> | <b>\$1.00</b> | <b>33%</b> |
|---|--------------|---------------|------------|
| Hyatt San Jose*   | 512          | 115,865.60    |            |
| Doubletree San Jose*                                      | 505          | 114,281.50    |            |
| Wyndham Hotels San Jose*                                  | 355          | 80,336.50     |            |
| Radisson San Jose Airport*                                | 196          | 44,354.80     |            |
| Clarion San Jose Airport*                                 | 195          | 44,128.50     |            |
| Homestead Studio Suites San Jose Downtown*                | 153          | 34,623.90     |            |
| Courtyard San Jose Airport                                | 151          | 34,171.30     |            |
| Holiday Inn Express Hotel & Suites International Airport* | 126          | 28,513.80     |            |
| Arena Hotel*  | 89           | 20,140.70     |            |
| E-Z 8 San Jose #1*  | 81           | 18,330.30     |            |

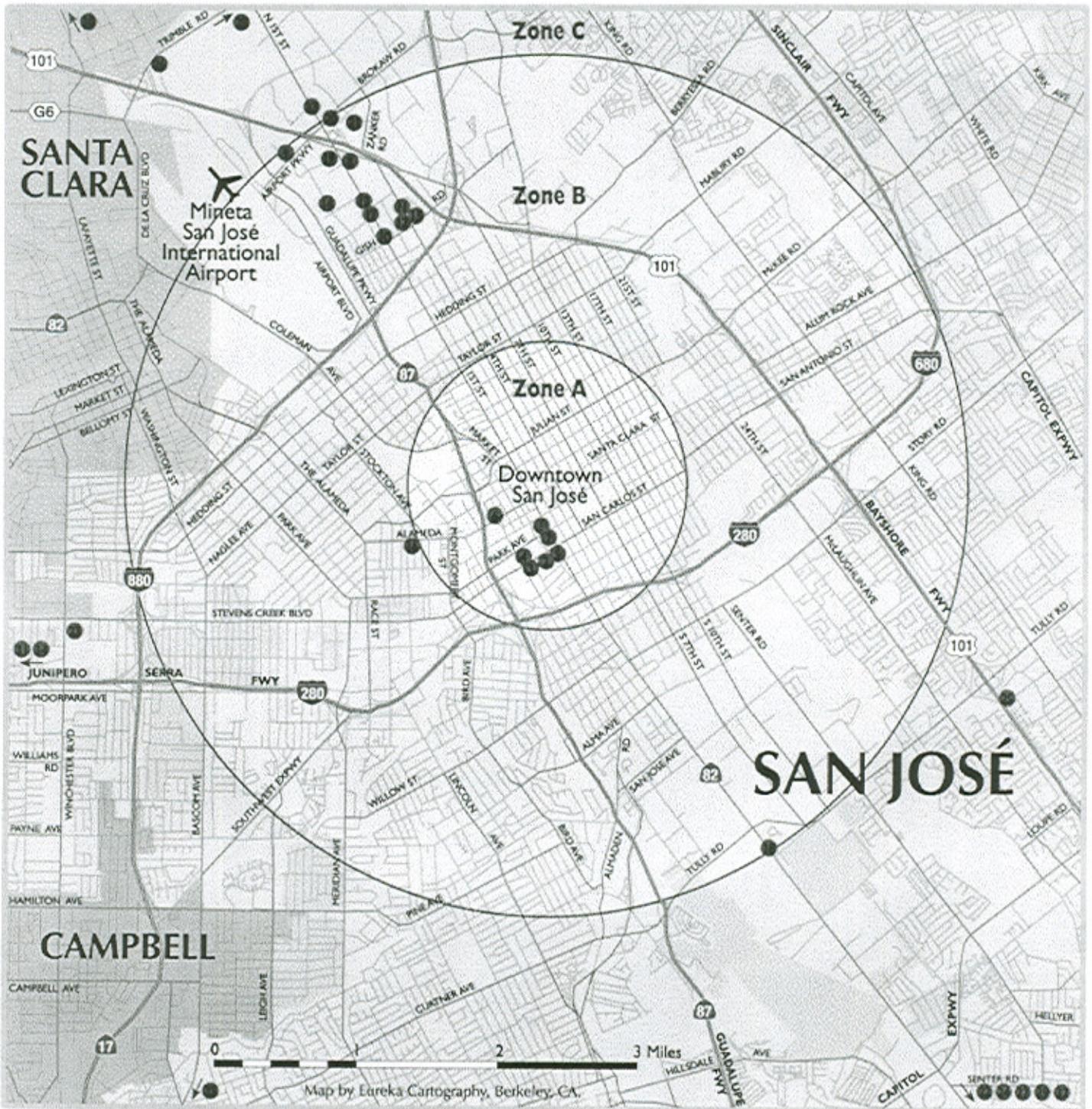
|  |             |                   |
|--|-------------|-------------------|
| Hampton Inn Suites San Jose  | 80          | 18,104.00         |
| Fairfield Inn & Suites San Jose*   | 186         | 42,091.80         |
| Extended Stay Deluxe San Jose Downtown (formerly<br>Sierra Suites San Jose)* | 138         | 31,229.40         |
| Staybridge Suites San Jose*  | 114         | 25,798.20         |
|  | <b>2881</b> | <b>651,970.30</b> |

| <b>Zone C (3+ Miles)</b>  | <b>Rooms</b> | <b>\$0.75</b>     | <b>16%</b> |
|---|--------------|-------------------|------------|
| Dolce Hayes Mansion Conf Ctr*   | 214          | 36,321.15         |            |
| Preferred Hotel Valencia Santana Row*   | 210          | 35,642.25         |            |
| Holiday Inn San Jose Silicon Valley   | 208          | 35,302.80         |            |
| Motel 6 San Jose South  | 202          | 34,284.45         |            |
| Best Western Gateway Inn  | 150          | 25,458.75         |            |
| Residence Inn San Jose South  | 150          | 25,458.75         |            |
| Homewood Suites San Jose Arprt Silicon Valley*                                | 140          | 23,761.50         |            |
| Extended Stay America San Jose South*   | 121          | 20,536.73         |            |
| Extended Stay America San Jose Santa Clara*                                   | 101          | 17,142.23         |            |
| Towneplace Suites San Jose Cupertino  | 101          | 17,142.23         |            |
| Extended Stay Deluxe San Jose South (formerly Studio<br>Plus San Jose South)* | 98           | 16,633.05         |            |
| E-Z 8 San Jose #2   | 88           | 14,935.80         |            |
| Moorpark Hotel*   | 80           | 13,578.00         |            |
| Residence Inn San Jose Campbell   | 80           | 13,578.00         |            |
| <b>Subtotal</b>   | <b>1943</b>  | <b>329,775.68</b> |            |

**Total Estimated Annual Revenue**

**2,005,074.58**

# HOTEL BUSINESS IMPROVEMENT DISTRICT



**San Jose Hotels Inc.**

- Zone A - within 1 mile
- Zone B - between 1 and 3 miles
- Zone C - more than 3 miles