



COUNCIL AGENDA: 06-20-06
ITEM: 4.3(a)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: May 26, 2006

Approved

Deanna Palma

Date

6/4/06

COUNCIL DISTRICT: City Wide

SUBJECT: ADOPTION OF A RESOLUTION TO APPROVE THE 2006-2007 BUDGET REPORT AND TO LEVY HOTEL BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS FOR FISCAL YEAR 2006-07

RECOMMENDATION

Adoption of a resolution to approve the Hotel Business Improvement District budget report for fiscal year 2006-07, as filed or as modified by the Council, and to levy the Hotel BID assessments for 2006-07.

BACKGROUND

The Hotel Business Improvement District ("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, an annual public hearing is required in order to approve the annual budget report and levy the annual BID assessments. On June 6, 2006, the Council preliminarily approved the 2006-07 budget report as filed by the Advisory Board or as modified by the City Council and adopted a resolution of intention to levy the annual assessments for fiscal year 2006-07 for the BID, and set June 20, 2006 at 1:30 p.m. as the date and time for the required public hearing on the levy of the proposed 2006-07 assessments. The 2006-07 budget report submitted to the Council on June 6, 2006 is attached to this memo as Attachment A. In accordance with

to the Council on June 6, 2006 is attached to this memo as Attachment A. In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for fiscal year 2006-07.

ANALYSIS

When a hearing is held under BID Law with regard to the levy of assessments of a BID, the City Council shall hear and consider all protests against the continued authorization of the BID, the extent of the area, the assessments, or the furnishing of specified types of improvements or activities. Protests may be made orally or in writing. Written protests must be filed with the City Clerk at or before the time fixed for the public hearing. BID Law requires that the proceedings shall terminate if protests are made in writing against the continued authorization of the BID by businesses or property owners in the proposed district that will pay a majority of the charges to be assessed. If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those improvements or activities shall be eliminated.

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, among other things, a list of the improvements and activities proposed to be provided in the BID in Fiscal Year 2006-07 and an estimate of the cost of providing the improvements and activities. The Advisory Board has recommended no change in the BID boundaries or the method and basis for levying assessments. Therefore, the proposed assessments in the BID for Fiscal Year 2006-07, described in the report, are the same as the original assessments approved for the remainder of Fiscal Year 2005-2006.

During the course or upon the conclusion of the public hearing the City Council may order changes in any of the matters provided in the Advisory Board's report. At the conclusion of the public hearing the City Council may adopt a resolution confirming the report as originally filed or as modified by the Council. The adoption of the resolution constitutes the levy of the assessment for the fiscal year 2006-07.

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.

COORDINATION

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

COST IMPLICATIONS

Approval 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.

Proposed 12-Month Marketing Budget	
Based on Rev Projections from Zone A, B, C	
Revenues	\$2,005,000
Expenses	
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
Total Expenses	\$2,005,000

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.

Zone A (within 1 Mile)	Rooms	\$2.00	51%
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	
	2261	1,023,328.60	

Zone B (1.1 to 3 Miles)	Rooms	\$1.00	33%
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	

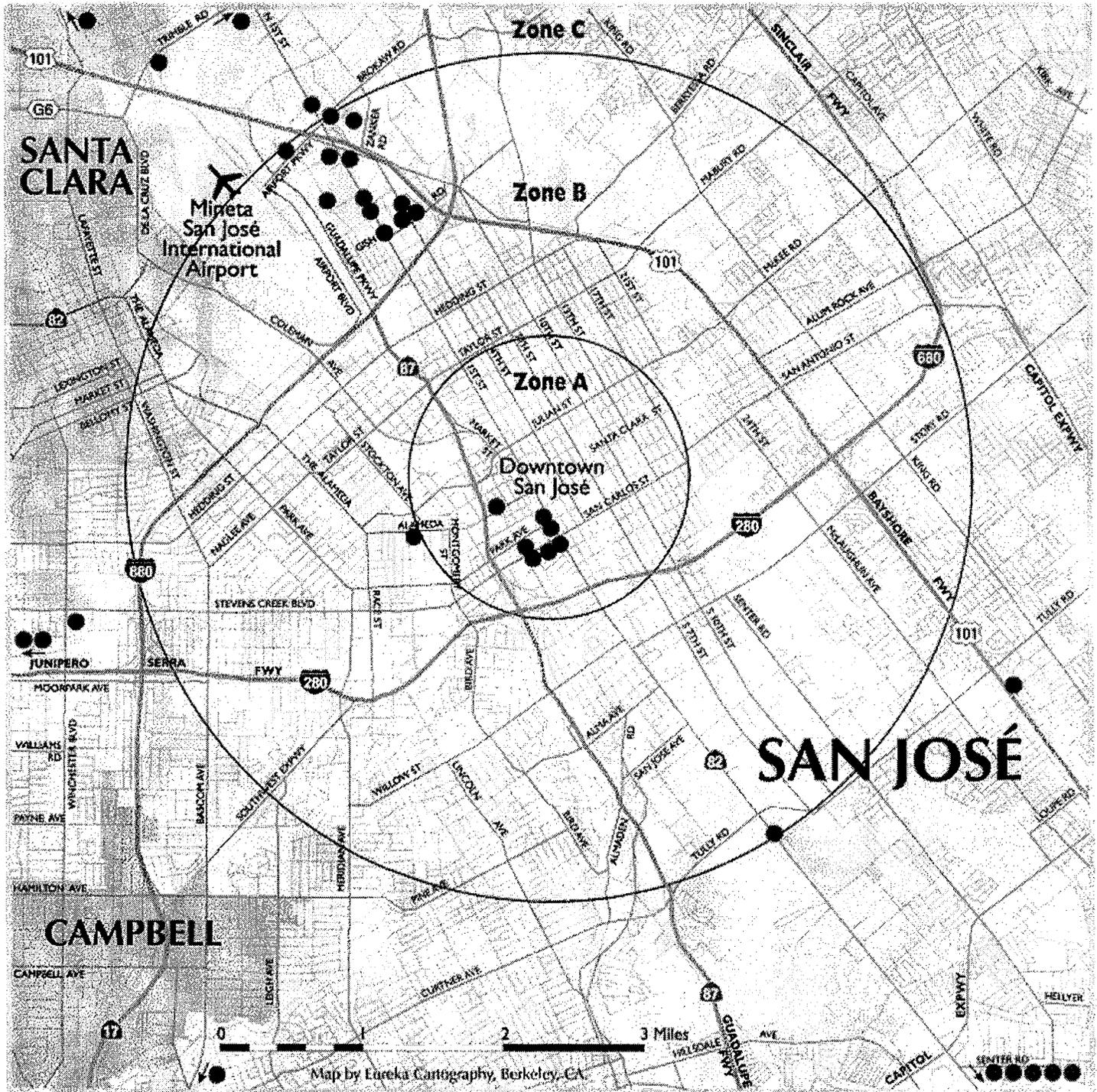
Hampton Inn Suites San Jose	80	18,104.00
Fairfield Inn & Suites San Jose*	186	42,091.80
Extended Stay Deluxe San Jose Downtown (formerly Sierra Suites San Jose)*	138	31,229.40
Staybridge Suites San Jose*	114	25,798.20
	2881	651,970.30

Zone C (3+ Miles)	Rooms	\$0.75	16%
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 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	
Subtotal	1943	329,775.68	

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